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Current History

SEPTEMBER, 1987

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The clash in China between the reformers and the conservatives, and the resulting effects on Chinese domestic and foreign policy are discussed in this issue. Our lead article declares that "As modernization proceeds and as the two societies become more complex and tolerant of diversity, the ideological distance between the Soviet and the Chinese approaches to Marxism-Leninism will lessen greatly, if not entirely disappear. . . . It may not be too long before the Chinese and Soviet leaders meet face to face."

The New Era in Sino-Soviet Relations

BY THOMAS W. ROBINSON

Professor of International Relations, Georgetown University

A BREAKTHROUGH in Sino-Soviet relations occurred in 1986. Although the decline, dating from 1958, had ceased in the late 1970's and had begun to tilt upward again in 1982, it took a new leadership in Moscow to make the correct policy assessment, send the right signals, and convince the Chinese that fundamental changes could ensue. And while ties between the two Communist giants had long ceased to be mended and broken merely on the basis of bilateral developments, the combination of the opening initiated by Soviet General Secretary Mikhail Gorbachev at Vladivostok in July and the Chinese need for an extended period of international quiescence to support economic development at home made probable a favorable outcome to negotiations on long-standing major differences.

The upshot of improving relations was that both China and the Soviet Union could turn their attention to domestic reforms and to advancing their separate interests abroad without first having to worry that each other's actions and threats would constantly interfere with their fulfillment. Finally, the removal of tension in Sino-Soviet relations and the prospect for fundamental improvement promised to proceed in a manner not at variance with similar improvements in American-Soviet ties and continued good relations between the United States and China.

Historically, Sino-Soviet relations have been the product of five determinants. Each is still an important variable, but their content has changed sufficiently, in each case, to cause the shift that began in 1986. The first determinant has been the character of the Sino-Soviet-American strategic triangle. The

American-Soviet leg has always been the most important, given the comparative importance of the two superpowers. If their relations change, Sino-Soviet (and Sino-American) concerns must vary as well. But since Washington-Moscow attitudes remained relatively constant during the post-World War II era, intra-triangular dynamism stems largely from variations of China's relations with the other two powers. Thus, when the United States was perceived as a threat to China during the 1950's, China's ties with the Soviet Union were reasonably good. When the Russians threatened, on the other hand, China's attitude toward the United States turned positive during the 1970's. If neither the Americans nor the Russians were perceived as hostile, Sino-Soviet relations could be judged on the merits of each issue, as during the first half of the 1980's. Finally, when the internal Chinese situation is "radical," Sino-Soviet ties will probably be "bad"; conversely, when the situation is "conservative," attitudes toward Moscow may improve (thus, Beijing-Moscow developments during the second halves of the 1960's and the 1980's).

Matters can also be analyzed as a set of bilateral issues in need of adjudication. The range of state issues is perhaps the most important of these: economic relations, troop dispositions, weapons strategies and, of course, the border question are all questions that determine the political distance between Moscow and Beijing. Another example is the so-called "three obstacles," (the Russian border force, Soviet military support of Vietnam in Kampuchea (Cambodia) and the Soviet invasion of Afghanistan) which China claims the Soviet Union must overcome before genuine

improvement of ties can occur. A third issue is the interesting character of ideological differences. The original issues, so important to the origin and early development of the Sino-Soviet dispute, have largely disappeared. For the most part, they have been replaced by comparative attitudes stemming from changes—especially in China but since 1985 also in the Soviet Union—in their respective political and economic orders. A final issue is not even that; much of the “problem” of Sino-Soviet relations is merely the “atmosphere” produced by the bad blood between the two sides since the late 1950’s (one might even say, the late 1920’s). That will improve only when a new track record of positive accomplishments has been established.

The strategic triangle and bilateral issues go much of the way to explain what has happened between Beijing and Moscow. But more general factors are also influential. For instance, Sino-Soviet developments are an excellent example of what happens when two modernizing (i.e., increasingly powerful) states have to grapple with each other. As both increase their strength, their range of interests generally and toward each other changes, and with it, their attitudes and policies toward one another. Modernization, power, interest and policy are all closely related in this iron law of international relations. No amount of negotiation and agreement will eliminate the fact that the Soviet Union has accumulated many new interests in Asia stemming from its newly projectable power there or that latter-day economic modernization in China has enabled China to begin to assert itself around its peripheries and, with increasing conviction, in the Middle East and in the global strategic realm. Economic reform in the Soviet Union will accentuate this tendency only to the extent that Moscow is able to build up power more rapidly.

Sino-Soviet relations are also a textbook illustration of what can happen when two different political cultures interact once power and interest bring them into increasing contact. There is an annoying racial element in Russian and Chinese attitudes, and hence policies, toward each other. The personalities of the top decision makers—China’s Chairman Mao Zedong, Premier Zhou Enlai, and present leader Deng Xiaoping, and Soviet leaders Josef Stalin, Nikita Khrushchev, Leonid Brezhnev and Mikhail Gorbachev—helped set the tone and the direction of Moscow-Beijing developments. Each nation has a national style that influences the process of negotiations, often rubbing the other the wrong way and helping to determine, for instance, what kinds of military strategies and levels of deployments to field against the other.

Finally, China and Russia have historical memories of varying intensities and length. China selectively recalls negative aspects of past encounters with Russia, as during the eighteenth and nineteenth century

border negotiations, and with the Soviet Union, as during the withdrawal of Soviet technicians in the 1960’s. The Kremlin selectively recalls the Mongol invasions many centuries ago and the enormous rise of Chinese population levels as justification for overreacting to the 1969 border clashes and overarming the border with China thereafter. Political culture and the expression of these qualities configure the extent and direction of Sino-Soviet relations.

A REVOLUTION IN WEAPONRY

What happens between Moscow and Beijing turns on trends and events over which neither has much control. Since World War II, a triple revolution in weaponry has occurred: infinite destructability, infinite accuracy and instant delivery. Soviet and Chinese military budgets must reflect these realities, and their security policies toward each other must take these developments as given. Many of their respective military policies follow. In the political sphere, the lateral diffusion of power across the Northern Hemisphere, the rise of economic interdependence, and the emergence of North-South relations all constrain how far the Kremlin and Tian An Men can go in competing (indeed, cooperating) with each other throughout the globe. The world is experiencing the increasing dominance of technological change. Moscow and Beijing have found themselves increasingly far behind the West. Their separate but increasingly similar domestic reform movements are partial responses to the need to catch up lest they fall permanently behind. That commonality eliminates areas of discord and hence tends to draw them together.

Another example of systemic influences is the trend toward arms control. The United States and the Soviet Union have found, over the last three decades, a need to limit through negotiated agreements at least some of the destructive potential of contemporary weapons systems. As it rises to global military status, China also finds its security affected by the state of play in this aspect of American-Soviet talks, whereas the superpowers themselves tend more and more to take the Chinese to be a virtual third element at the negotiating table.

On the basis of a “weighted average” of the influence of these five determinants of Sino-Soviet relations, it is possible to forward some probable statements about the future. Three developments seem all but certain. First, the border question (and hence the troop disposition issue) is ripe for rapid resolution. The border issue has never been supremely important for its own sake, since all that is at stake is a number of small islands in the Ussuri and Amur Rivers, and the exact location of the boundary in the Tien Shan Mountains that forms the division between Xinjiang Uygur and Uzbekistan.

The only point of real difference has been the own-

ership of the Hei Hsai Tzu Tao at the confluence of the two rivers directly across from downtown Khabarovsk. The Russians illegally seized this land from the Chinese in the nineteenth century. But it is this island that Gorbachev in effect told the Chinese they could have back in his July, 1986, Vladivostok speech, when he assented to the Thalweg (channel course) Principle as the means of determining who owns the island. The two nations have already agreed to send out joint boundary locating teams, which will report back on completing their work in about two years.

The more important problem of the level and kind of forces arrayed along both sides of the boundary must, of course, be dealt with as well. But this, too, is well on the way to solution, as the Soviet General Secretary, in the same Vladivostok speech, announced token Soviet troop withdrawals (one division) out of Mongolia, with the promise of more to come as negotiations proceeded. While it would be too much to expect a total demilitarization of the Sino-Soviet border, à la the Rush-Bagot Treaty establishing the American-Canadian boundary, some kind of arms control agreement between Moscow and Beijing appears to be in the offing. That would have to see the drawing down of a significant portion of the 50-plus Soviet divisions, the over 2,500 aircraft, and the more than 1,200 nuclear missiles deployed against China, as well as somewhat smaller relocations of Chinese forces.

It is true that such an agreement could be followed by the appearance of an additional 20 or 30 Soviet divisions across the Iranian border, ready to invade the Persian Gulf area. That would be a strategic disaster for the West (to say nothing of similar possibilities of Chinese forces reconfigured to attack Taiwan or India or Vietnam). But the chances are reasonably good that these forces will in fact revert to skeleton status, as both countries seek to benefit economically from a reduced military burden. Indeed, that may be a principal motive on the Soviet side.

A third near certainty is increasingly close economic and cultural ties. Having been so completely estranged for a quarter century, the potential for improvement is vast. Both nations have come to realize the need for better state-to-state and people-to-people relations. The economics-first policy orientation in both capitals can only drive trade to record levels (it is already increasing steeply each year). And each society is comparatively liberal-reformist at home, so that political attitudes and social structures tend to dovetail rather than diverge, as they did during the Cultural Revolution.

Leninist-directed societies tend to have many institutions and policies in common to start with; Mikhail Gorbachev and Deng Xiaoping are pulling their respective societies in similar directions. This is of historic magnitude: two of the world's three largest and

most powerful nations are, for the first time (even compared with the positivist orientation of the 1950's), approaching each other in a spirit of commonality and friendship. Each is genuinely interested in the other; each realizes the other has much to offer; and each has come to admit that the other has legitimate rights and needs. Out of such feelings lovers patch up their quarrels and nations establish a solid base for broad and long-lasting rapprochement. That is exactly what is happening in Sino-Soviet relations in the late 1980's.

On the strength of these three near certainties, then, ties between Moscow and Beijing will develop rapidly in coming years. That enhances the likelihood, if not the surety, of four other developments. The first is the lessening of any ideological differences. Ideology has long since ceased to be a central aspect of Sino-Soviet differences; the Kremlin and the Tian An Men early on exhausted themselves and essentially, each gave up trying to convert the other. But a fundamental change has taken place, first in China after 1976 and then in the Soviet Union after 1984: both countries took as their first task the all-around, rapid modernization of their economies and a concomitant freeing up of social and (to a lesser extent) political controls. Both concluded that the strict central planning, state ownership, party-direction style of economic development had failed. Each admitted that the economy—and with it living standards, cultural levels and modes of political leadership and expression—was a disaster and that nothing short of major movement toward a mixed economy would suffice.

Such a process of repair, now well under way in both nations, will occupy the policy attention of both parties for the next decade. Facing common problems of similar origin and adopting not-dissimilar solutions, Gorbachev and Deng have found they have more to talk about and that old arguments have become increasingly irrelevant. Thus, each has begun to eye the other's efforts with cautious approval, and a symbiotic relationship between them has begun to emerge.

As modernization proceeds and as the two societies become more complex and tolerant of diversity, the ideological distance between the Soviet and the Chinese approaches to Marxism-Leninism will lessen greatly, if not entirely disappear. Already gone are the notions of ideological primacy, of the absolute correctness of one model of socioeconomic organization, and of the unqualified superiority of socialism. It may not be too long before the Chinese and Soviet leaders meet face to face not only to sign a new border treaty but to talk over common ideological problems stemming from latter-day modernization.

A similar likelihood follows from the lessening of tensions associated with differences in stages of modernization. The Soviet Union began economic modernization in earnest in the late 1920's, and political modernization (e.g., the emergence of mass nation-

alism and popular participation in politics) started earlier in the century. In China's case, economic modernization took firm hold (after a few false starts) only in the 1950's and even then suffered the twin setbacks of the Great Leap Forward and the Cultural Revolution. Political modernization preceded it, as in the Soviet case, by two decades and, like the Soviet instance, further progress (i.e., toward democracy) was short-circuited by Leninist-Stalinist-Maoist totalitarianism.

But China regained momentum in the mid-1970's and rapidly made up for lost time, while the Soviet Union began Gorbachev-induced *glasnost-perestroika* (openness and reconstruction) only a decade later. Further, Chinese emphasis on consumer satisfaction and agricultural productivity has meant that differences in living standards in the two countries are markedly less than they were in 1965. If modernization can be described in terms of stages (preconditions, take-off, drive for maturity, industrialized society, and so on), the Soviet Union is somewhere short of becoming a fully industrialized society, even seven decades after the Bolshevik Revolution, while China is clearly far beyond take-off and driving hard toward full industrialization. The distance between the two is therefore much less than it was two decades ago and, to the extent that Chinese progress continues to be faster than Soviet, the gap will continually narrow.

A third likelihood concerns the foreign policy implications of Sino-Soviet rapprochement in the context of primary attention in the Soviet Union and China to domestic economic development. Heretofore, a third of a century's enmity has gone far to configure, and in several regions to freeze, the balance of power, especially in Asia. With both Moscow and Beijing interested in reasonably good relations with their neighbors in order to avoid conflict and enhance trade, and with improving ties among themselves, those balances may well undergo change. In particular, the international relations of all three Asian regions, until recently highly dependent on Sino-Soviet enmity for their form, will probably change. In northeast Asia, the Soviet Union has supported (with reservations, to be sure) North Korean policy toward the South, while China has moved (in fact, although not often admitted in public) to the side of South Korea and has become Seoul's second security guarantor, after the United States.

In southeast Asia, Moscow has bankrolled Vietnam's economy and has supplied the military where-withal for its invasion/occupation of Kampuchea. China, fearing a southeast Asia entirely under Hanoi's control, has stood behind Thailand, again along with the United States, has occasionally moved directly against the Vietnamese, and has assisted the three Cambodian rebel groups against Pnom Penh.

In south Asia, China and the United States have long supported Pakistan, especially since the Soviet

invasion of Afghanistan in 1979, whereas Moscow since the early 1970's has leaned toward India. These policies, the partial product of the Sino-Soviet dispute, could well change once rapprochement has advanced a bit further. In particular, Moscow would not feel the necessity to take such military risks as it now does on the Korean Peninsula; and Vietnam and China could come to an understanding (which, if the United States improved its relations with Hanoi simultaneously, might find Moscow isolated in southeast Asia). And on the subcontinent, improved Sino-Soviet relations could lead to the necessity, felt in both Islamabad and New Delhi, to work out their differences unsupported by a superpower presence. "Unglueing" these regional equations could indeed lead to instability. But both the Communist powers have every interest in avoiding conflict and further rivalry there. Change, if nothing else, will be the order of the day.

THE STRATEGIC TRIANGLE

A final likelihood is increasing Chinese participation in American-Soviet affairs. Several examples come to mind. One is the growing Chinese weight at the arms control negotiating table. Whether the topic is strategic missile reduction talks, negotiations concerning intermediate nuclear force levels, or conventional force draw-downs, the Chinese element is growing in importance, even though Beijing does not sit at any of the ongoing talks. The United States has come to play the role of China's representative in dealing with the Russians in this arena—witness the wrangling over where and how many Soviet SS-20 missiles should be allowed in a new treaty.

None of the members of the strategic triangle wish China actually to become an active third party, because the degree of complexity would rise so much as to endanger the success of the talks. But China's role must be taken into account more and more as its military power grows, as it must. The same is true of the emerging Chinese nuclear missile and submarine forces; for a decade or more, they have been of concern only to Moscow, but with the deployment of a true intercontinental range missile and a fleet of nuclear missile-launching submarines, China becomes a nuclear threat to the United States as well. The global strategic equation is thereby trilateralized.

A third example is arms sales. In 1987, China has become the world's third largest arms exporter and has made itself an important element in conflicts like

(Continued on page 303)

Thomas W. Robinson does research at the Strategic Studies Institute in Carlisle, Pennsylvania; is the author of many books and articles on China, the Soviet Union, Asia, international relations, and national security; and has visited both China and the Soviet Union frequently.

"When China finally turned as a nation to new ways after 1949, it acquired them through the least flexible and most dogmatic modernizing precepts of the Stalinist dictatorship. This burdensome heritage has yet to be discarded. . . . China is still searching for a working arrangement, balancing its onerous heritage and limited physical resources with its huge human potential and bold developmental aspirations."

China's Standing in the Developing World

BY VACLAV SMIL

Professor of Geography, University of Manitoba

INTERNATIONAL comparisons are always difficult. Many available figures are merely estimates assembled in the headquarters of various institutions (for example, more than two-thirds of food balance sheets regularly published by the Food and Agriculture Organization for some 150 nations are based on the estimates made in Rome). Published statistics are of highly uneven reliability, with those of the Organization for Economic Cooperation and Development (OECD) nations being generally most representative. Otherwise accurate data may not be comparable because, on closer examination, they represent different concepts (the category of "nurses" will include a large portion of university graduates in the West, but in China most "doctors" never have had any rigorous postsecondary education). And even if everything is acceptable, quantitative measures will only infrequently capture the critical qualitative disparities (equivalent amounts of per capita living space in Chengdu and Osaka would be still vastly different in all aspects but their physical units).

When comparing China's achievements, these problems are greatly magnified by the country's undoubted uniqueness. In spite of numerous, and far from insignificant, cultural, social and economic differences, it is much easier to compare the large West European nations (the United Kingdom, France, West Germany, Italy) or small Central American republics (Guatemala, Nicaragua, El Salvador, Honduras, Panama), because these groups share many common attributes.

But China's unparalleled cultural longevity, its huge population, its marriage of Communist orthodoxies with the thousand-year-old heritage of authoritarian rule, and the enormity of its political and develop-

mental zigzags during the past two generations make it stand apart. Consequently, perhaps the only sensible way to proceed is to compare at least four Chinas.

First, China can be viewed as just one of the world's 160 nations. Second, China can be seen as an aspiring superpower, a giant in an overall economic and strategic sense. In sharp contrast, China is also one of many poor, developing countries, with an economy beset by the challenges of modernization. Finally, China can be categorized as a totalitarian one-party state, with a centrally planned economy.

A WORLDWIDE VIEW

Global comparisons are certainly most revealing in the case of fundamentally unalterable or only partially modifiable physical realities that circumscribe, and often determine, a country's development potential. While Japan, South Korea or Taiwan illustrates how shortages or the absence of particular resources may be successfully overcome by vigorous trade, the strategy of converting large energy, raw material and food imports into exported manufactured goods (bringing rising domestic affluence) is not open to a nation of one billion people.¹ A great deal of resource autarky is a must for China, and in this respect global comparisons illuminate the country's limited potential.

Arable land, fresh water, and forest and energy resources are the key pillars of economic self-sufficiency and the critical ingredients of a comfortable development outlook. Yet, in all of these cases, China's international position is either fairly weak or extremely poor. Of course, in absolute terms some of these resource endowment totals look impressive, but the country's large population shrinks them into very modest per capita values. This contrast is much evident in the case of China's large energy resources.

China ranks first worldwide in total hydroelectricity generating potential. With about 380 gigawatts (GW) of exploitable power, it is far ahead of the U.S.S.R. (269 GW), Brazil (213 GW) and the United States (197 GW), and, as only about five percent of

¹For example, although Egypt's imports of about half of its total food grain needs are burdensome and undesirable, they are easily filled by cereal exporters; shipping and distributing some nine million tons of grain present no extraordinary logistical challenges. If China imported half its grain—now some 200 million tons a year—it would preempt about 90 percent of global exports and would then face the impossible task of moving the grain inland.

The World's Ten Most Populous Nations—A Statistical Profile

	China	India	U.S.S.R.	U.S.	Indonesia	Brazil	Japan	Bangladesh	Nigeria	Pakistan
Population (10 ⁶)	1,029	749	275	237	159	133	120	98	96	92
GNP (\$/capita)	310	260	6,765*	15,390	540	1,720	10,630	130	730	380
Agriculture share of GDP (percent)	36	35	14	2	26	13	3	48	27	24
Arable land (ha/capita)	0.09	0.23	0.84	0.80	0.12	0.47	0.04	0.09	0.32	0.22
Daily food supply (kcal/capita)*	2,700	2,115	3,381	3,623	2,380	2,533	2,850	1,864	2,022	2,205
Commercial energy consumption (kg of oil equivalent/capita)	485	187	4,627	7,302	205	753	3,135	40	129	188
Annual exports (10 ⁹ \$)	24.8	9.4	91.6	216.0	21.9	27.0	170.0	0.9	14.3	2.6
Birthrate (births/1,000)	19	33	18	19	43	39	19	41	51	48
Life expectancy (years)	69	56	67	76	55	64	77	50	50	51
Infant mortality (deaths/1,000 live births)	36	90	25	11	97	68	6	124	110	116
Higher education enrollment (percentage of 20–24-year-olds)*	1	9	21	56	4	11	30	4	2	2

Sources: World Bank, *World Development Report 1986* (New York: Oxford University Press, 1986).

Food and Agricultural Organization, *Production Yearbook* (Rome: Food and Agriculture Organization, 1986).

*Data are for 1983. All other data are for 1984.

this huge capacity has been tapped (practical utilization limits, already reached in most European nations, are about 40 percent), the country has the world's most impressive prospects for large-scale hydroenergy development.² Coal resources (the total including deposits that may not be at all economically recoverable) of some 3.2 trillion tons are surpassed only by those of the U.S.S.R. (3.99 trillion tons) and are much ahead of those of the United States (2.28 trillion tons). Crude oil reserves are comparatively poor—although the prospects of new major discoveries are still quite encouraging—but are large enough (about 18.5 billion barrels) to put the country in the eleventh place worldwide, behind the United States (25 billion barrels) and ahead of Nigeria (16 billion barrels).³

However, converting all fossil fuel reserves into common energy equivalents (including hydroenergy is difficult, owing to temporal fluctuations in output) and comparing them with other well-endowed countries on a per capita basis shows the two superpowers to be one order of magnitude ahead of China. Both

²A special insert in the August, 1982, issue of *Shuili fadian* (*Water Power*) contains details of the latest generation capacity survey.

³"Oil & Gas Journal Reports," *Worldwide Report, Oil & Gas Journal*, December 22–29, 1986.

⁴V. Smil, *Energy in China's Modernization* (Armonk, N.Y.: M.E. Sharpe, 1987).

⁵V. Smil, *The Bad Earth: Environmental Degradation in China* (Armonk, N.Y.: M.E. Sharpe, 1984).

the United States and the U.S.S.R. have over 20 trillion joules of fossil fuel reserves per capita (an equivalent of nearly 900 tons of standard coal), while China's reserves are just one-tenth of that amount. Chinese per capita fossil fuel reserves are also considerably smaller than those of some 40 smaller nations with major coal or hydrocarbon deposits, but they are an order of magnitude ahead of India and Brazil.

Clearly, there is a strong case for rigorous and sustained energy conservation efforts to make these relatively limited resources go as far as possible. Yet, today, China appears to be the world's least efficient converter of commercial energy. In the early 1980's, it was using four times as much energy for each unit of gross national product (GNP) as Japan, the world's most energy-efficient economy, and even more than twice as much as India.⁴ This poor performance has been gradually improving, but the gap between China's and Japan's performance has not yet narrowed appreciably.

To feed its one billion people China should also conserve and assiduously manage its limited area of arable land. Yet, again, the record has been poor, with losses due to erosion, desertification, salinization, alkalization, waterlogging, chemical poisoning, and industrial and urban growth, and village construction adding up to nearly 30 percent of all agricultural land since the late 1950's.⁵ Moreover, unlike many other populous countries, China's possibilities of future farmland reclamation are limited (perhaps no more

than ten percent of its currently cultivated area).

With just over 100 million hectares (ha) of cropland, China's population, amounting to 22 percent of the global total, must be fed from only 7 percent of the world's arable land. Setting aside the tiny island nations in the Caribbean and the Pacific, China's shortage of available farmland per capita (just below 0.1 ha) is surpassed only by a handful of major nations: South Korea, Egypt, Indonesia and Bangladesh.⁶ However, within China there are several provinces with a total population surpassing that of any of the just-listed nations, whose per capita farmland availability is just about half of the national mean and hence near the lowest limit of self-sufficiency even with highly intensive cultivation.

China's forest resources are even poorer. The most recent comprehensive survey shows that just 121.6 million ha (no more than 12.7 percent of the country's territory) of forests are middle-aged and young, including 28 million ha of post-1949 plantings.⁷ Adding shelter-belts (counted by the Chinese as a part of their forest total) means that some three-fifths of all forested area is in poorly stocked, low-productive secondary growth.

Even if all of China's forested land were under mature trees, the area would prorate to just 0.11 ha per capita, putting the country no higher than about 120th among 150 nations (including African desert nations). In terms of commercial wood resources, China's position is no better: with nearly 9 cubic meters (m³) per capita it is about 60th among the 75 nations for which this ratio is available. Consequences of this forest impoverishment are felt not only in narrow economic terms (chronic timber and paper shortages, need for rising imports), but also in environmental degradation (deforestation-accelerated erosion and desertification, and local climatic changes), exacting a long-term decline in the nation's productivity.

Another immediate economic difficulty with even greater long-term implications is China's unenviably low and unreliable supply of fresh water. As with energy resources or with the total area of arable land, absolute figures are high: about 6 trillion m³ of precipitation annually produce a runoff of 2.6 trillion m³, placing China fifth globally after Brazil, the Soviet Union, Canada and the United States.⁸ But in per capita terms, this is merely 2,600 m³ a year, just one-

fifth of the global average and less than Japanese or European resources. In practice it is extremely difficult to tap more than one-third of total runoff (China already uses one-fifth), but China would have to use 100 percent to equal the current average per capita fresh water consumption in the United States.

A GREAT POWER

With the just described, little appreciated constraints in mind, China's status as one of the world's great powers takes on different meaning. Without substantial population decline, the country will never be able to offer its people as much as most of the other large populous nations. Still, in aggregate terms, China in the 1980's is undoubtedly one of the world's preeminent powers. Its total GNP, when expressed in U.S. dollars at the prevailing exchange rate, is eighth in the world, roughly equal to that of Canada, still considerably behind France or West Germany, and about a tenth of the American total.⁹ Yet, China's GNP is 60 percent larger than India's and when recalculated in more realistic terms (that is, in purchasing power parities), it would appear to be even higher.

Aggregate output of several industries puts China among the world's top five producers: fifth in chemical fibers and metal-cutting machine tools, fourth in steel, television sets and leather shoes, third in coal, sulphuric acid and nitrogen fertilizer, second in cement, and first in cotton cloth.¹⁰ These are proudly stressed elite technical achievements.

Most notably, China is one of five nations with nuclear weapons and means for their long-range delivery (including a nuclear submarine), and one of the countries that regularly launches various satellites.

China also sits on the United Nations Security Council, with its policies and their twists watched around the world as closely and eagerly as the changes in Moscow and the happenings in Washington. To be posted to Beijing is one of a few pinnacles of every nation's diplomatic service. Obviously, China attracts attention not only because of its unmatched population and its unique history, but also because of its genuine great power status. This position has been heightened since the early 1970's by the restructuring of the country's foreign policy, and in the latter half of the 1980's by the uncertainties surrounding the completion of the gradual intergenerational transfer of power and by the possibilities of new tilts in the touchy trilateral relationship among Beijing, Moscow and Washington.

However, an observer unfamiliar with the notion that political perceptions are more important than realities may judge the country's global status strictly by strings of available economic and social statistics, and would be incredulous when told about the Panglossian perception of China as a great power. Rather,

⁶Food and Agriculture Organization, *Production Yearbook* (Rome: Food and Agriculture Organization, 1986).

⁷Continuing illegal logging and recurrent large-scale forest fire losses make it even more difficult to assess the real reserves of China's timber.

⁸Chen Zhikan, "Our Nation's Water Resources," *Guangming ribao*, October 7, 1981, p. 3.

⁹World Bank, *World Development Report 1986* (New York: Oxford University Press, 1986).

¹⁰State Statistical Bureau, *Statistical Yearbook of China* (Hong Kong: Economic Information Agency, 1986).

one would just see a large, poor country aspiring to bring a modicum of prosperity to its long-suffering population.

A POOR MODERNIZER

Before 1979, even the United States Central Intelligence Agency (a source hard to accuse of padding China's economic achievements) thought that the Chinese were doing much better than they actually were: the CIA's calculations showed China's 1976 GNP at \$379 per capita, while the first official statistics released after two decades of data blackout put it at \$139 per capita.¹¹ Most surprisingly, this was identical with the Indian figure, an equality that would have been earlier dismissed as derogatory by admirers of China's economic progress.

As more official statistics were issued during the early 1980's, it became easy to confirm China's status as a rather poor nation. Once again, leaving the small island nations aside, China is now about the 30th poorest country in the world, about three times as rich as Ethiopia, roughly at par with Kenya and only half as rich as Ivory Coast. In the World Bank's classification, there are roughly 50 low-income and lower middle-income countries in the three poor continents ahead of it (plus, of course, 20 upper middle-income countries and 30 industrialized nations).¹²

Many other indicators elaborate this standing. Over one-third of the GNP still comes from farming (as it does in India or Sudan, while Brazilian or South Korean shares are below 15 percent, Western below 5 percent). Annual per capita consumption of commercial energy is at less than 500 kg of oil, equivalent to consumption in Zimbabwe and only about half of the Jamaican mean. No more than a third of teenagers go to secondary schools, a share matching that of India or Bolivia. But India has nearly 10 percent of people ages 20 to 24 attending universities—while China's share is only one percent, no better than Ethiopia or Uganda and a quarter of the share of those who attend universities in Bangladesh.

On the other hand, there is a group of largely health-related developmental indicators that puts China decidedly ahead of typical expectations for such a poor and populous nation. The current life expectancy of 69 years is equaled or surpassed in Asia only by Malaysia (69 years), Sri Lanka (70 years), Singapore (72 years), Hong Kong (76 years), and, of course, Japan (77 years), and it is ahead of about 60 developing nations with a higher per capita GNP. This

achievement would not have been possible without the low infant mortality rate of 36/1,000 live births (nearly as low as in Argentina, about half of that of Brazil and only 40 percent of the Indian level).

Adequate nutrition is another precondition of relatively good health, and in this respect China's recent advances resulting from the introduction of de facto private farming have been impressive.¹³ Large regional disparities still prevail but, on the average, China's per capita food availability of roughly 2,600 kcal/day is at least 10 percent above minimum nutritional requirements. A little appreciated fact is that China's per capita food availability is also less than 10 percent behind Japan, and in East Asia, it is surpassed only by North and South Korea, Mongolia, Taiwan and the two city states of Hong Kong and Singapore.

More than anything else, it is the low birthrate that makes China stand out among all poor industrializing nations. With a crude mortality of about 20/1,000, China's rate is only about 40 percent of the average level for 40 of the low-income economies, roughly half the mean for the same number of lower middle-income nations and identical to the average of European Communist nations (the current Western mean is 14/1,000). This achievement, as well as the runaway population growth during the decade preceding the introduction of vigorous family planning in the early 1970's, is closely connected with the ways the ruling oligarchy decides the fate of the nation. Recent reforms have not fundamentally changed the primacy of Communist orthodoxies.

A ONE-PARTY STATE

As a well-entrenched Communist regime that spent its first decade in power closely copying the Stalinist experience—economically by instituting five year plans and preferring steel to consumer goods, and socially by forced collectivization and purges of intellectuals—China, in spite of its ancient cultural uniqueness and recent bold rural reforms, shares many characteristics with the U.S.S.R. and European Communist states.

An economist familiar with the situation in Communist Europe faces few surprises in looking at China. Five year plans are as alive in Beijing as in Moscow. Disproportionate stress on heavy industry has become an addiction impossible to cure. During China's first Stalinist five year plan (1953–1957), 36.1 percent of all capital investment went into heavy industry. In the early 1980's that ratio fluctuated between 38.5 and 41 percent. What an echo of the Soviet experience,

(Continued on page 271)

¹¹U.S. Central Intelligence Agency, *China: A Preliminary Reconciliation of Official and CIA National Product Data* (Washington, D.C.: U.S. Central Intelligence Agency, 1979).

¹²These and all other quantitative comparisons in this section are from the World Bank, op.cit.

¹³V. Smil, "China's Food," *Scientific American*, vol. 253, no. 6 (December, 1985), pp. 116–124.

Vaclav Smil's latest books are *Energy in China's Modernization* (Armonk, N.Y.: M.E. Sharpe, 1987) and *The Bad Earth: Environmental Degradation in China* (Armonk, N.Y.: M.E. Sharpe, 1983).

"Over the last year, China has taken some bold steps to stimulate forward momentum. The success of this effort will not come from rigid adherence to catchy themes or strategies based on the fear of falling behind. Rather, the long-term viability of China's present 'mixed strategy' will be determined by allowing the strategy to evolve in conjunction with the further changes that are needed in the economic system."

Modernizing Science and Technology in China

BY DENNIS F. SIMON

Associate Professor of International Business, Fletcher School of Law and Diplomacy, Tufts University

FACED with a backward and generally inefficient system of science and technology, China's leaders continue to make an all-out effort to restructure their research sector and to modernize indigenous scientific and technological capabilities. In the current drive, which is primarily aimed at improving the links between research and production, strong emphasis is being given to organizational reform and structural change.¹ The degree to which the leadership is prepared to initiate fundamental change is reflected in the March, 1985, Central Committee decision on "the reform of the science and technology management system." This document and several other initiatives spell out a broad array of new approaches to the financing of science and technology activities, as well as the treatment of technical knowledge and the procedures for the management of engineers, scientists and technicians.

Underlying China's emerging science and technology strategy is a double-edged definition of reform. One dimension has focused on improvements in the operation of the existing centrally oriented structure. The desire to maintain the central tasking mechanism reflects two considerations. First, the leadership continues to look back fondly on its previous successes in science and technology, primarily the development of the country's nuclear weapons and intercontinental ballistic missiles (ICBM's). These achievements were made by the military through a process from the top down, with the various elements of the national defense and production systems working together to mobilize and target the country's limited scientific and technological capabilities on a high-priority project. Second, China's leaders refuse to allow the vagaries of

the market to determine the outcome of future priority endeavors—trying instead to reserve a number of key areas of technology (e.g., large-scale integrated circuits) for nurturing by centrally directed organizations.

The complementary side of the scientific reform movement has been focused on the introduction of essentially new operating principles and institutions into the research system. The Chinese leadership recognizes that the key to the postwar development of advanced technological capabilities and vitality in the United States, for example, is to be found in a combination of entrepreneurial talent and market stimuli. In this context, an explicit attempt has been made in China to link the economic reforms with the reform of the scientific and technological system. As China's de facto leader Deng Xiaoping has noted, "the new economic structure must be favorable to science and technology advancement; and the new R&D [research and development] system should, in turn, be conducive to economic growth."²

The recent *White Paper on Science and Technology*, issued by the State Science and Technology Commission in 1986, identifies key areas where China hopes to make rapid and sustained progress. Market-driven forces will be largely responsible for promoting technological advances in areas like light industry; in other cases, strong central guidance will be maintained (e.g., microelectronics). Current priority fields, which were discussed in an October, 1986, issue of *Liaowang*, include transportation and communication (especially telecommunications); agriculture and food processing; energy, including coal, hydropower and various power transmission technologies; electronics (especially integrated circuits, computers and software); and manufacturing technologies—across the board.³ These choices reflect the desire to enter into new technology-based industries and to modernize so-called traditional industries and the country's economic infrastructure, with the dual goal of reducing foreign imports and expanding exports.

THE ONSET OF REFORM

From the start, Beijing's drive to reform its science

¹Tony Saich, "Linking Research to the Productive Sector: Reforms of the Civilian Science and Technology System in Post-Mao China," *Development and Change* 17 (1986), pp. 3-33.

²Song Jian quoting Deng Xiaoping in "Science Reforms Vital," *Science*, August 9, 1985, p. 526.

³Li Du, "China Is Technologically Paving the Way for an Economic Takeoff," *Liaowang Overseas Edition*, no. 41, October 13, 1986, pp. 8-9, translated in Foreign Broadcast Information Service, *China* (hereafter FBIS), October 28, 1986, pp. K6-8.

and technology system has been a building-block effort. The March, 1985, Central Committee document represented, in many respects, the formalization of a process of organizational change and institutional refinement that had begun as early as 1981. On a number of occasions, experimental sites were chosen in order to introduce and test new policies and programs. Given the problems left over from the Cultural Revolution and the historical legacy of tension between the Communist party and the scientific community, the leadership recognized that a broad base of support would have to be established in order to carry forward its intended reform program on a broad scale.

Much has already been written about the rebuilding of the system in the aftermath of the demise of the Gang of Four. The most visible manifestation of the new attitude toward science and technology was the National Science Conference held in March, 1978. The meeting, which was held one month after the formal announcement of the "four modernizations" program, was characterized by a high degree of optimism—with many of the participants apparently believing that China could "catch up" with the advanced industrialized nations and close the prevailing technological gap with the West and Japan relatively quickly. In most respects, however, the program for development announced at the meeting was overambitious and did not reflect the extent to which China's infrastructure for research had been damaged.

Actually, the major impetus to reform occurred in early 1981, when preliminary changes were introduced into the research sector. The most visible of these changes was an election at the Chinese Academy of Sciences, which led to the reemergence of the 400-member Scientific Council as the governing body of that institution. The fact that scientists were put in charge of scientists was an important step forward in the effort to give the scientific community confidence in the staying power of the "four modernizations." Strategically, the clearest evidence that the leadership was dissatisfied with the pace of advance was the decision to create "a special leading group for science and technology" under the State Council, to be headed by Premier Zhao Ziyang.⁴

The role of the leading group cannot be underestimated; it has helped to spearhead the reform movement within the scientific and technological arena. The decision to create this group at such a high level can be attributed to several factors. First, the Sta-

Science and Technology Commission (SSTC) had revealed itself unable to carry through on a number of the policy initiatives directed by the top leadership. For example, the SSTC was essentially unable to mend its relationship with the Chinese Academy of Sciences (CAS). Second, the need to ensure closer integration between research and the economy meant that greater coordination at the highest levels would be necessary as well as desirable. And third, placing Zhao Ziyang in charge of the group was a way to place the imprimatur of the office of the Premier on the drive to modernize science and technology.

The mandate of the group has evolved to include the following five tasks: long-range science and technology planning; the formulation of national policy for key areas; the coordination of national-level efforts, as well as central-local relations; the effective allocation of resources; and reform of the system. Through the State Planning Commission, the group can also ensure that sufficient funds are made available for specific projects and priorities. In addition, members of the office of the leading group were intimately involved in drafting and building the political coalition necessary to gain approval for the March, 1985, reform document—which in many ways represents the institutionalization of a new approach to science and technology.

THE MARCH, 1985, REFORMS

The main impetus to the reform of the science and technology system has been a growing belief that managerial deficiencies and organizational bottlenecks—even more than physical inadequacies—were constraining scientific advance. Wu Mingyu, former vice minister of the SSTC and now deputy director of the Center for Technology, Economics and Social Development at the State Council, has summed up what most proponents of reform believe are the three major shortcomings of China's prereform research system.⁵ First, the system relied too heavily on administrative measures and neglected the role of economic levers. Second, there has been a tendency to overdevelop "independent research institutes" while neglecting activities within production enterprises. For example, China now has over 9,300 research institutes, the majority (5,700+) of which are not directly connected with enterprises; over 90 percent of Japan's research and development units are directly linked to specific companies. According to an article in *Guangming ribao*, most institutes regarded "samples, exhibits and presentations" as the targets of their research; it made no difference if their accomplishments could be applied or not.⁶ And third, there has been excessive rigidity in the management and distribution of personnel. There is very little mobility of personnel; individuals tend to spend their entire careers in one organization.

⁴See FBIS, January 31, 1983, p. K8.

⁵Ma Lili, "The Concept of China's Scientific Research Reform: A Visit to Wu Mingyu, Vice-Minister of the State Science and Technology Commission," *Huashengbao*, April 10, 1985, p. 31, translated in Joint Publication Research Service—China Science and Technology (hereafter JPRS), August 27, 1985, p. 1.

⁶"Let the Running Water Flow More Quickly to the Fertile Land," *Guangming ribao*, March 30, 1985, p. 1.

The current reform program is focused on four major areas: reform of the funding system; the establishment of technology markets; the strengthening of enterprise capabilities to absorb and explore new technologies; and the training and career patterns of young and middle-aged scientific and technical personnel. The widest-ranging aspect of the science and technology reforms deals with the research funding question. Essentially, the central government hopes to alter the past practice of supplying almost all the funding for research activities in the form of grants. Under the guidelines provided in the reform statement, each year the state will reduce the amount of funds it provides institutes for operating expenses. Instead, an appreciable percentage of the projects sponsored by the central and local government will be issued on the basis of competitive tenders and bids. Moreover, research managers and personnel are being encouraged to seek out research projects themselves both in enterprises and in the market.

The fact that the central government is actually decreasing the amount of funds it will directly make available to research units does not mean that investment in science and technology will decline. In reality, during the seventh five year plan, the leadership has committed itself to increase the funds available for these activities at a rate faster than the growth in general financial expenditures. Major national projects, as well as the construction of key laboratories and experimental sites, will still be funded by the central or local government. For example, the development of large-scale integrated circuits is considered one of the country's top scientific priorities. As such, development efforts will receive substantial support from the central government—though some will come in the form of competitive tenders and bids. In other words, the "iron rice bowl" in the science and technology sector will, for the most part, be broken.

In addition, a national science foundation is being established. This builds on a number of more modest funding efforts begun over the last three years in the CAS and the State Seismology Bureau. Institutes engaged in basic and some applied research will be able to draw their project funds from the foundation. The only research entities that will be exempt from its rules will be those engaged in research activities in the following fields: public health, basic technolog-

ical services, standardization, metrology, monitoring and surveying, and information gathering.⁷

Institutes under the Chinese Academy of Sciences also fall within the guidelines of the reform effort. Previously, the CAS allocated equal amounts of research funds to each affiliated research unit in accordance with the existing functional divisions. Each institute, in turn, distributed these funds to its respective research groups without distinguishing its capabilities or performance. In many instances, problems emerged, including duplication, extensive delays in disbursement, and insufficient funding. As a result, the CAS has introduced a contract system that will bind each institute to a certain performance level and schedule. In addition, beginning in 1985, the CAS withheld 17 percent of the operating budget of a number of successful research institutes. These funds will be used to provide support to research units engaged primarily in theoretical research, while the institutes will be "forced" to make up the deficit through outside contracting.⁸

These changes in the modes and mechanisms for funding research could not have been introduced without the second element of the reforms, namely the introduction of so-called technology markets. The decision to treat technology as a commercial commodity represents an abrupt departure from previous thinking, which treated the product of mental labor as a public good that could not be privatized. With the growing support for a national patent law (which was issued in April, 1985) and the realization that technology has commercial value, the Chinese have tried to stimulate the diffusion of technology through profit-type incentives.

Chinese leaders see technology markets playing a variety of roles. Most important, they are viewed as an effective means to help convert research results into production. One manifestation of the drive to create technology markets was the holding of the first national science and technology fair in Beijing in 1985 (240 local fairs were held in 1984–1985).⁹ Almost 80 different units, military and civilian, were represented. A total of 4,180 actual transactions were made at the fair, with an assessed value of over Y2.1 billion.¹⁰ Many letters of intent were also signed. A similar result—though on a smaller scale—occurred in Tianjin, where close to 500 agreements worth Y3.5 million were signed in the span of just over one week. The central government under the SSTC has also created a National Market Development Center, which will aid in diffusing technology-related information to potential end-users throughout the country. In addition, the State Economic Commission plans to establish a series of "permanent advisory centers" throughout the country to handle technical services and technology transactions.¹¹

The interesting feature of China's technology mar-

⁷See FBIS, March 21, 1985, pp.K2–3.

⁸*China Daily*, January 8, 1985, p. 1.

⁹"Tap Greater Potential," *Renmin ribao*, June 19, 1985, p. 5.

¹⁰The industrial breakdown was as follows: 19.3 percent in light industry, 12.6 percent in food processing, 10.6 percent in building materials, 7.2 percent in petrochemicals, 19.9 percent in mechanical items, and 18.8 percent in electronics.

¹¹"State Plans to Gear Up Trade in Technology," *China Daily*, November 30, 1985.

ket is its flexibility. Relationships between research institutes and production enterprises can include joint development efforts, long-term cooperation agreements, joint bidding, foreign as well as domestic partners, and multiple players in any one of the previous ventures. Payments can be made on a royalty basis, as a flat fee, or some combination of the two. In addition, a series of legal regulations are being devised to provide the support structures to make the technology markets work. The most explicit guidelines were contained in the "Provisional Regulations on the Control of Management Funds for Scientific Undertakings" issued in March, 1987.¹²

Several factors have plagued the technology market. First, China's irrational price structure has made it difficult to create a pricing system for buying and selling technology. In addition, many suppliers of technology, unable to determine an appropriate price for their technology, have been reluctant to offer their technology in the market for fear of creating competition. Second, research units have frequently offered "unproven" technologies, and when the purchaser's expectations were not met, he or she held the developer directly responsible. Third, some units have intentionally engaged in fraud and deceit in order to make a profit, while others have plagiarized the research results of geographically distant research institutes and offered them for sale on the open market.¹³

Another element of the reforms deals with the absorption capabilities of enterprises. This problem is intimately associated with the issue of technical renovation, which involves a concerted effort by the State Economic Commission to modernize both plant and equipment within Chinese industry, as well as to improve management techniques and related aspects on the "software" side of production. Heretofore, most factory managers have been insensitive to the potential role of technology in both the process and product dimensions of manufacturing. The current program to strengthen the buyer's capacity to utilize acquired technology is designed to provide the factory manager with better tools for responding to the new economic environment in China.

Funds for technical transformation are to come from the central or local government in the form of both loans and grants. Total investment in technological transformation and equipment renewal for state enterprises during the seventh five year plan will be

Y276 billion, which constitutes an 87 percent increase over such investment during the sixth five year plan. These funds, however, are only a means to help enterprises absorb some of the start-up costs for taking advantage of emerging market opportunities. In some respects, just as the changes in the funding situation are designed to encourage research institutes to seek out potential buyers, the program of technical renovation is aimed at motivating enterprises to look for potential partners in the research and development community who can help them solve existing manufacturing problems, develop a new product, or improve the quality of an existing item.

The last element in the reform program concerns the treatment of science and technology personnel. This problem has been the most difficult to resolve because of its broader political implications. The reforms are premised on the belief that the lack of mobility among these workers is a major defect. The problem affects students and scholars who have recently been sent abroad, as well as individuals who have not left China for overseas training.¹⁴ According to Zhou Guangzhao, the new president of the CAS, this lack of mobility stifles creativity and inhibits the diffusion of technology and know-how. One major cause of the low mobility is the practice of inbreeding, whereby a university or research unit seeks to retain those individuals who have been trained by the unit. The aim of the reform is to provide a mechanism for talented personnel to move to those places where their skills and expertise can be more fully and appropriately utilized. In July, 1985, for example, the central government allocated Y20 million to establish postdoctoral research centers, where younger Ph.D.'s can serve as researchers for up to two years before accepting permanent jobs.¹⁵

The reforms regarding science and technology personnel also aim to free scientific and technical labor so that individuals with a certain type of expertise can serve as consultants or advisers to government offices and enterprises. Once individuals complete their assigned duties, they are free to engage in off-duty consulting. Not only does such activity help provide income supplements to these persons, but it also facilitates the application of technical knowledge to problem-solving activities in the area of policy formulation and manufacturing.

(Continued on page 281)

¹²"Provisional Regulations on the Control of Management Funds for Scientific Undertakings," *Xinhua*, March 21, 1987, translated in JPRS, April 17, 1987, p. 21.

¹³R.P. Suttmeier, "New Conflicts in the Research Environment," *Bulletin of the Atomic Scientists*, October, 1984, pp. 78-118.

¹⁴"Returned Students Feeling Stifled," *China Daily*, August 31, 1984, p. 4.

¹⁵"Scientists Gain Centers for Research," *China Daily*, July 13, 1985.

Dennis F. Simon is the author of many articles on China's science and technology, as well as technology transfers to China. Forthcoming books include *Technological Innovation in China's Semiconductor Industry: The Case of Shanghai* (Cambridge, Mass.: Ballinger, forthcoming) and *The China Venture: Corporate America Encounters the People's Republic of China* (Chicago: Scott, Foresman, forthcoming).

"Uncertainties arise from the intensified struggle in China between the reformers and the conservatives on three major issues: (1) how far can the current economic reform go? (2) how wide should the door be opened? and (3) how fast should the economy grow?"

China's Economy at the Crossroads

BY CHU-YUAN CHENG

Professor of Economics, Ball State University

THE Chinese economy has reached a turning point, after eight years of hasty reform and five years of burgeoning growth. Affected by the recent shake-up in the party's top hierarchy and facing a myriad of bottlenecks, the reform has lost its momentum.

Three years ago, in the wake of the initial success of the rural reform, China's reformers decided to embark on a bolder venture by moving into the urban sector. The move was accompanied by a program to accelerate economic growth by increasing investment and consumption so that the gross output value of agriculture and industry could quadruple in two decades. While the economy attained impressive growth in 1984 and 1985, the achievement was very costly. The spending spree quickly drained the country's limited financial reserves, creating a budget deficit, a trade imbalance and inflation. The new emphasis on profit motivation and material incentives also triggered widespread corruption and a variety of economic crimes.

The adverse conditions gave the hardliners within the party an opportunity to launch a fierce attack on the reformers and forced them to retreat. A new guideline of "consolidating, digesting, supplementing and improving" the measures introduced since 1984 was officially promulgated in early 1986, signaling a retrenchment of the reform program.

In mid-1986, to counter the conservative offensive and to array popular support, party General Secretary Hu Yaobang, who represented the vanguard of the reform, took the offensive in delivering a long, stinging attack on Mao Zedong, the late party Chairman and spiritual leader of the conservatives. Hu's open denunciation of Mao was taken by many Chinese intellectuals as new evidence of the leadership's support for fuller academic freedom and a blossoming cultural expression. Moreover, the reformers also championed institutional political changes that would separate the party from the government. The socio-political climate led to the outburst of large-scale stu-

dent demonstrations toward the end of 1986 calling for more political reform and academic freedom.

The student unrest intensified the behind-the-scenes power struggle, which culminated in the abrupt dismissal of Hu Yaobang as chief of the Chinese Communist party. Hu's removal dealt a severe blow to economic reform and hampered the program in its effort to quadruple agricultural and industrial output value by the end of this century.

ECONOMIC REFORM: A ZIGZAG ROAD

From 1978 to 1985, the reform program centered around four major aspects: the institution of a contract responsibility system in rural areas to replace collective farming; the revival of individual business in the cities; the devolution of greater authority to enterprises; and the reform of the irrational price system. The results were mixed. While the first two reforms generated several positive effects, the last two failed to measure up to proclaimed goals.¹

The foremost achievement came from the agricultural sector. The implementation of the contract responsibility system activated peasant incentive and promoted agricultural production. Between 1979 and 1984, the growth rate of agricultural output was 5 percent per annum, double that of the preceding 20 years. Grain output rose from 304.8 million tons to 407 million tons, with an annual growth of 4.9 percent, more than double the growth rate achieved between 1957 and 1978. The output of cotton jumped three times in six years, and the output of edible oil more than doubled. The rapid growth was partly due to the sharp rise of procurement prices in 1979, which made agricultural production profitable. However, the incentive effect of the contract responsibility system was also evident.

In the urban areas, the most fruitful result was the rapid revival of the individual economy. Before the reform, private business was viewed as the "remnant of capitalism" and was doomed to total elimination. In 1978, only about 100,000 units were still in existence. After the change of policy in 1980 reaffirmed the merits of individual business, the number of private businesses expanded rapidly. By the end of 1983, the number rose to 5.8 million units, with a total

¹For a detailed analysis of the early reform, see Chu-yuan Cheng, "Economic Reform in Mainland China: Consequences and Prospects," *Issues and Studies* (Taipei), vol. 22, no. 12 (December, 1986), pp. 13-14.

employment of 7.5 million; it rose further to 17 million units in 1985.²

Most of these workers are engaged in the service sector. Consequently, the flagging tertiary industry has begun to boom. Since 1981, the output value of the service sector has increased faster than agriculture and industry. Its share in the gross national product (GNP) rose from 18.7 percent in 1980 to 21.3 percent in 1985, when total employment in the service sector reached a record high of 73.68 million.³ Flourishing individual business and the revival of the tertiary sector greatly invigorated urban life.

The delegation of greater decision-making authority to the enterprises has never been enforced. Despite the assurance of government directives and regulations, government bureaucrats have used various pretexts to retain the power that should have been delegated. The most common practice is to convert administrative units into control corporations.

Many corporations were set up throughout the nation in 1984–1985. In many cases, the enterprises have found that the control by the corporation is even tighter than before.⁴ The bonus system, originally intended to provide material incentives for industrious workers, has gradually been turned into subsidies for all workers in the same unit, regardless of individual performance. Moreover, since the state continues to subsidize inefficient plants, the old system of “eating from the same big pot” still prevails. For all these reasons, three years after the urban reform, the number of state enterprises operating at a loss has remained very high. In the first quarter of 1987, one-fourth of China’s state-owned enterprises were operating at a loss.⁵

Nor has price reform achieved its goal. To redress the irrational price structure, several measures were taken in 1985. The state monopoly on the purchase and marketing of food grains, cottons and edible oils was replaced by a purchase contract system. Price controls on meat, vegetables and other perishable foods were lifted, and free markets for these goods were allowed. In industrial products, a three-tier price system—state-planned price, negotiated price and market price—has been implemented since 1983. The new price system, while providing some incentive for the

producers, has led to unjustified disparities in competitive power, triggering a series of price hikes throughout the industrial sector. As a result of these price hikes, an inflationary spiral has been generated in the economy as a whole.

In the macroeconomy, urban reforms prompted the shift of capital investment from central to local control and caused an overextension of the scale of capital investment. In 1984, capital investment rose 23.8 percent, far exceeding the state budget. The scale of investment was out of control in 1985, when it rose 42.8 percent over the preceding year, the highest since the Great Leap Forward (1958–1960). The blind expansion of capital investment has inflicted severe damage on the Chinese economy. Besides wasting resources on nonproductive and duplicate projects, expansion of capital investment has also caused an excessive expansion of aggregate demand.

Events up to the end of 1985 indicated that, while rural reforms generated a short-run positive production effect, reforms in the urban area created more problems than they solved. Most prominent were:

- A huge budget deficit between 1978 and 1985—as a result of excessive investment and huge subsidies, the state budget deficit totaled over Y100 billion with no sign of improvement.⁶

- A substantial trade deficit—the trade deficit in 1985 and 1986 alone totaled \$28 billion, the largest in Chinese history.

- A high rate of inflation—the official retail price index for 1985 went up 12.5 percent, and in 1986 it increased another 7 percent. However, many Chinese economists have challenged these figures. They believe that the inflation rates for these two years may have exceeded 30 percent.⁷

- Widespread corruption and crime—taking advantage of the relaxations, many party and government cadres and their children have engaged in a variety of illegal activities to enrich themselves. Corruption became so prevalent that in early 1986, the party’s central committee launched a nationwide campaign to crack down on economic crime, but found that its orders went mostly unheeded.

THE EFFECT OF THE POLITICAL SHAKE-UP

These adverse situations provided ammunition for the conservatives. In a national conference of party delegates convened in September, 1985, an open schism surfaced. In the wake of the party delegates conference, factional jousting in the party hierarchy has intensified. The student demonstrations, which involved 150 universities and colleges in 17 cities in December, 1986, were taken by the conservatives as evidence of bourgeois influence that may threaten the survival of the Communist regime. Hu Yaobang was blamed for the failure to prevent the disruptive student demonstrations and was ousted in January, 1987.

²Song Tingming, “Review of Eight Years of Reform,” *Beijing Review*, December 22, 1986, p. 15.

³Rongxia Li, “Tertiary Industry Takes Off in China,” *Beijing Review*, February 9, 1987, pp. 18–19.

⁴*Shijie Jingji Daobao* (World Economic Herald, Shanghai), July 7, 1986.

⁵*Ibid.*, March 23, 1987, p. 1.

⁶Between 1979 and 1984, the state deficit totaled Y39.64 billion. If the issue of state treasury bonds and foreign borrowings are added, the total deficit approached Y100 billion between 1979 and 1986.

⁷See economist Qian Jiaju’s remark in the Chinese People’s Political Consultative Conference, April 13, 1986.

A new political campaign immediately followed to combat "bourgeois liberalization," the party's new catchword for Western political and cultural values. Zhao Ziyang, the Prime Minister, was named Acting General Secretary of the party. Although both Deng Xiaoping and Zhao have stated emphatically that the campaign will be restricted to the Communist party and will not extend to the economic sphere, the entire reform program has been thrown into great chaos, and signs of retrenchment have appeared.

First, the ideological overtone has changed. After the third plenary session of the eleventh Chinese Communist party (CCP) central committee in December, 1978, the guiding principle was "to seek truth from facts." What followed was a continuous process of disindoctrination. The recent dismissal of Hu and the subsequent expulsion of several well-known outspoken intellectual leaders from the Chinese Communist party signaled a reversal of the ideological wind. The "four cardinal principles"—the socialist road, Communist party leadership, proletarian dictatorship, and Marxism-Leninism and Mao's thoughts—have been resuscitated. The party line is now swinging back strongly to that of the period just before the Cultural Revolution.

Second, the time schedule for the reform has undergone drastic change. In 1984, after the party initiated urban reform, on many occasions Deng made sanguine projections that the reform could be completed within five years.⁸ However, since Hu's removal, economic reform has been described in official publications as a "long-term endeavor, which may take 50 to 70 years to complete."⁹ The lengthening of the time horizon significantly reduces the reform's urgency.

Third, price reform, which was identified as the core of urban reform in the September, 1984, resolution, basically has been suspended. In a circular issued on January 14, 1987, the state council directed that the main task for 1987 will be to keep prices stable. No increase will be permitted in the amount of goods whose prices may be determined by market forces. Neither will there be an increase in goods whose prices may float within a range set by the government. The state council's goal, therefore, is to stabilize the price level rather than to reform the price structure.

Fourth, before the recent political shake-up, the trend seemed to favor shareholding companies as a new pattern of reforming state enterprises. When John J. Phelon Jr., chairman of the New York Stock Exchange, visited China in the fall of 1986, he was granted a lengthy audience with the country's de facto leader,

Deng Xiaoping. But in recent months, there have been signs of a clamping down on equities. In an announcement in April, 1987, the state council indicated that state enterprises will no longer be able to issue stocks to the public, although certain collectives may continue to do so under tighter controls. State enterprises will be allowed to continue selling bonds, but with more restrictions. These rules are the latest examples of China's drift toward orthodoxy.

Fifth, the delay in ratifying a new factory law dealt another blow to reform-minded leaders. The law, which was designed to specify the role played by directors and managers of a state enterprise and to prevent party officials from interfering with operations, was scheduled to be discussed and ratified by the National People's Congress (NPC) that convened its full session in March. But the standing committee of the NPC, presided over by its chairman, Peng Zhen, a leading conservative, decided not to submit the proposal to the congress. Without the new law, irrational interference by party bureaucrats in management operation cannot be prevented.

In light of these new developments, the economic reform appears to have lost its momentum. Although much will depend on the outcome of the ongoing power struggle, the general political atmosphere and social mood are no longer conducive to an in-depth reform.

IMPACT ON THE "OPEN DOOR"

Since 1979, economic reform and an "open door" have been the twin pillars of Deng's grand program to revive the economy. At the very beginning, both the Chinese government and foreign investors harbored great hopes for the open door. In April, 1984, the policy aroused worldwide enthusiasm when the Chinese authorities, in addition to the early establishment of four Economic Special Zones, decided to open the door wider by designating 14 major cities in the coastal areas as "open cities" for foreign investors. Most of the "open cities" are former treaty ports that have a fairly high level of industrial development, technical knowledge and experience in foreign trade. By mid-1986, China claimed to have garnered contracts for \$18.1 billion in foreign investment, including 2,513 joint ventures, 3,971 manufacturing and service agreements known as "cooperative ventures" and 127 wholly foreign-owned projects. But less than \$5 billion has actually been invested.

Despite all the initial fanfare, both the Chinese and the foreign investors became disillusioned. From the Chinese view, the open-door policy failed to attract the levels of investment it sought, as well as investments needed for modernization. By the end of 1985, 80 percent of foreign investments had come from overseas Chinese, mostly from Hong Kong, and had been channeled into the adjacent Guangdong province. Japanese firms had set up only 128 joint ventures in

⁸See Deng's interview with a *Time* magazine reporter in *Renmin ribao* (People's Daily), December 8, 1985, p. 2; also Deng's interview with Li Chung-yu, a member of the Politburo Labor party of Korea, in *Renmin ribao*, July 18, 1986.

⁹*Hongqi* (Red Flag, Beijing), April 1, 1987, quoted from *International Daily News* (Los Angeles), April 9, 1987, p. 1.

China, and United States companies had committed just \$1.8 billion in equity to 140 joint ventures—two-thirds of them worth less than \$10 million. In 1985, China attracted its largest foreign investment; however, of the \$5.85 billion in overseas investment commitment, only \$1.57 billion actually came in. Moreover, little of it was in the high-technology areas, which China eagerly seeks to develop. In 1986, contracted foreign investment fell sharply to \$3.3 billion, indicating the growing dissatisfaction of the foreign investors.¹⁰

In a series of open discussions in the summer of 1986, foreign investors bluntly lodged their complaints as follows:

(1) Despite the Chinese efforts to promulgate more than 60 new laws and decrees regarding foreign investment, many problems remain. Without further changes in the legal system, there can be no guarantee for foreign interests.

(2) The entire Chinese economy is operated under a system where the supply of necessary materials always falls short of demand. Many foreign investors in the joint ventures have found it extremely difficult to obtain materials.

(3) China faces a critical shortage of foreign exchange. Most foreign firms are accumulating huge reserves of *Ren min bi* (Chinese currency) which cannot be converted into foreign currency. With the *Ren min bi* depreciating more than 200 percent since 1981, most foreign firms have suffered great losses.

(4) The lack of electricity and transportation facilities hampers normal operations.

(5) In recent years, as inflation accelerated, the costs of labor, land use, office space, fuel, raw materials and electricity also soared tremendously, making China one of the most expensive countries in the Far East in terms of operating costs.

(6) Foreign companies cannot hire workers directly, but must contract with the Foreign Enterprises Service Corporation (FESCO), which monopolizes Chinese workers and assigns them to foreign companies. The workers are politically screened and trained to keep an eye on their foreign bosses. FESCO cannot meet the demand for workers, so there are always long waiting lists. Even if a company obtains good, trainable Chinese workers, it cannot use pay as an incentive, because FESCO sets wages. These wages are higher than those in most Asian economies, yet the worker does not draw this wage: he must kick back

as much as 85 percent of his pay to FESCO.¹¹

To redress these complaints, in October, 1986, the Chinese government adopted a 22-point regulation offering new preferential treatment to foreign investors and broadening areas of foreign participation. The new regulations, however, fail to deal with the basic issue of whether foreign joint ventures can sell in China's domestic market and take profits from those sales out of the country. Consequently, the new regulations generate little stimulating effect for foreign investment.

The open-door policy will face additional obstacles as foreign investors begin to probe the way that the recent power struggle affects the long-term policy of opening up to the outside world. In spite of constant assurance from Deng Xiaoping and Zhao Ziyang that the open-door policy will continue and even be strengthened, foreign investors have become highly skeptical. The most obvious obstacles are as follows:

(1) There are growing sentiments of opposition to the current open door policy in China. Some Chinese economists contend that China has benefited very little from the open door and that foreign investors used transfer pricing to make profits for themselves at the expense of the Chinese. As one article in an official magazine recently commented,

The foreign party of a joint venture often sells old equipment, raises the price of technology and imported raw materials, and lowers the price of the venture's exports so that the Chinese side alone bears the risks and the financial loss.¹²

This view reflects a growing antifeign feeling under the current antibourgeois influence campaign, and is bound to drive foreign businessmen out of China.

(2) For more than a decade, Japan has been China's number one trade partner and chief creditor. Since the ouster of Hu Yaobang, who had built up a personal relationship with Japanese Prime Minister Yasuhiro Nakasone, the Sino-Japanese relationship has been deteriorating. In recent months, Beijing has stepped up criticism against Japan on a variety of issues, ranging from the huge trade gap to growing Japanese militarism.

(3) In February, 1987, Vice Premier Li Peng warned Westerners to "prepare themselves psychologically for their contracts to be reviewed or turned down."¹³

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Chu-yuan Cheng, chairman of the Asian Studies Committee at Ball State University, is the author of more than 20 books and many articles on the Chinese economy. His latest books include *China's Economic Development: Growth and Structural Change* (Boulder, Colo.: Westview Press, 1982), *The Demand and Supply of Primary Energy in China* (Seattle: University of Washington Press, 1984) and *The Taiwan Model and China's Modernization* (Taipei: Linking Press, 1986).

¹⁰*South China Morning Post* (Hong Kong), May 27, 1987, p. 1.

¹¹*The Wall Street Journal*, July 17, 1986, p. 14.

¹²See Yang Fang's article in *Theoretical Information News* (Beijing), quoted in *South China Morning Post*, May 27, 1987, p. 1.

¹³Foreign Broadcast Information Service (Washington, D.C.), February 20, 1987, pp. K 21-22.

"Because China has a population about four times that of the United States and an acreage of cultivated land half the size of that of the United States, China's leaders are very much aware of the importance of strict family planning in containing the population to 1.2 billion by the year 2000."

China's Food Policy and Population

BY KUAN-I CHEN

Professor of Economics, State University of New York at Albany

AFTER the introduction of the rural economic reform policy in 1978, Chinese agricultural production increased at an average annual rate of 6.7 percent (9.0 percent including village-run industries) during 1978–1985. The peasants' per capita income also increased at a rate of 14.8 percent a year. Although the agricultural production growth rate slowed to 3.0 percent and 3.5 percent in 1985 and 1986, respectively, the progress in diversification in agriculture has continued steadily, with rapid expansion in animal husbandry, fishing and forestry products.¹

The first stage of the rural economic reform policy began in 1978 and ended in 1984. The most important change in this stage was the replacement of the former commune system with the new individual household responsibility system. The government purchase prices for farm products were raised significantly from the very low prereform level. This new system greatly increased the enthusiasm of the farmers for greater output. The second stage of the rural economic reform began in 1985. The key measure in this second stage is the abolition of the state monopoly over the purchasing and marketing of major farm products. Except for a few selected products, like tobacco and medicinal herbs, the government will no longer assign fixed quotas of farm products to be purchased from peasants. All products not purchased under government contract are now sold by peasants on the market at market prices. The main purpose of this stage is to modify the Chinese rural economic structure by using more of the market force and to move from a self-sufficient rural economy to a socialist commodity economy, hoping for a fuller use of available manpower and natural resources. In essence, China is deviating from the traditional concept of

regional self-sufficiency to interprovincial or interregional dependence and trade.

During the second stage of reform, the great fluctuations in grain and cotton output in 1985 and 1986 basically reflected the response of peasants to changes in prices, new output and enlarged reserves resulting from the first stage of reform. In response to the incentive provided by the first stage of reform, peasants increased grain production rapidly during 1978–1984. With favorable weather conditions, the grain output reached a peak of 407 million metric tons (mmt) in 1984, yielding a net increase in output of 102 mmt between 1978 and 1984. Without any doubt, part of the increase can be attributed to the potential of long-term development projects in water control and land improvement built in the past decades, but the new policies were mainly responsible for the increase by overcoming the inhibiting effects of inefficient management and overly centralized planning in agriculture. Nevertheless, the overall production picture during that period exceeded the most optimistic expectations and made China self-sufficient in grain supply.

Starting in 1985, the government reduced the annual amount of contract purchase of grain, and peasants had to sell the excess grain in the market at market prices. With grain storage facilities already filled beyond capacity, the market prices were expected to remain below the government purchase prices. Peasants responded by reducing the acreage of grain crops by 4.4 million hectares (1 hectare = 2.471 acres). With poor weather conditions, the output of grain in 1985 was 379 mmt, about 28 mmt less than in 1984. The government responded to the 1985 decline by reducing prices for fertilizer and giving loan priority to farmers who grew more grain. As a result, the grain crop acreage in 1986 increased by approximately 2 million hectares and the output increased to 391 mmt, an increase of 12 mmt over the output in 1985. But China's grain stocks are generally adequate and some regions have sizable excesses.

The story of cotton production indicates similar fluctuations in production in response to policy

¹"Opening Markets for Rural Products," *Beijing Review*, vol. 30, no. 19 (May 11, 1987), pp. 14–17; "Communiqué on the Statistics of 1985 Economic and Social Development," *Beijing Review*, vol. 29, no. 12 (March 24, 1986), pp. 27–28; "Communiqué on the Statistics of 1986 Economic and Social Development," *Beijing Review*, vol. 30, no. 9 (March 2, 1987), pp. 20–21.

changes. From the late 1960's to the mid-1970's, peasants sold their cotton to the government at a low fixed price, compared with staple food grains like wheat. The government intended to make cotton textile manufacturing one of the most profitable industries, and the price of cotton was kept artificially low. Therefore, farmers lacked motivation to grow cotton. In addition, Chairman Mao Zedong's policy of promoting self-sufficiency in grain production also discouraged specialization in nongrain crops, including cotton, even in areas well suited for these crops. Not surprisingly, cotton production showed a steady decline from 2.56 mmt in 1973 to 2.05 mmt in 1977.

In 1978, the government raised the state procurement price to cotton farmers for the first time in a dozen years. In 1979, the price was raised again and a premium price was paid for the quota of cotton. The procurement price was raised once again in 1980. In addition, the grain allowances (grain award, i.e., the specialized cotton households will be provided with grains) were granted to encourage more farm households to specialize in cotton growing. As a result, both production and cotton crop acreage increased. Cotton output jumped from 2.05 mmt in 1977 to 6.26 mmt in 1984. With the abandonment of Mao's policy of self-sufficiency in grain, the land most suited to cotton growing was turned over to cotton production, while other crops were grown on the land producing poor cotton crops.

This huge increase in cotton output greatly exceeded the demand from the Chinese textile industry. Furthermore, Chinese consumer preference has steadily shifted from cotton fibers to synthetic fibers. As the supply of cotton continued to rise, the demand for it continued to decline. The Chinese government had to revise its cotton incentive program and stopped cotton imports in 1984. Coinciding with the second stage of rural economic reform, the grain allowances and subsidies for cotton growers were dropped in 1985. Because the central procurement system has been decentralized, the state supply and marketing cooperative signs yearly contracts with producers before planting begins. The total government quota for cotton remained at only 4.25 mmt for 1985 and 1986. The government guaranteed to purchase output above the contracted amount for the 1985 crop if market prices dropped below the minimum support price level. But in 1986 the government no longer promised to purchase output above the contracted amount.

This reduction of incentive to cotton growers was successful in reducing cotton output in 1985 to 4.15 mmt from the 6.26 mmt in 1984, but the 1985 output still exceeded the state contract quota of 4.25 mmt. The policy of offering no guarantee to purchase above-contracted amounts in 1986 encouraged a further

reduction in output. As expected, the 1986 cotton production dropped to 3.54 mmt. Incentive measures, instead of administrative measures, succeeded in increasing and reducing grains and cotton production. During the second stage of rural economic reform, China must fine-tune these incentives so that cotton production will not continue to outstrip the capacity of the textile industry to absorb it. Likewise, the surplus grain production should be increased at a rate not much faster than the increase in the new storage capacity. Finally, China must fine-tune incentives to stimulate the more rapid development of the grain-consuming poultry and livestock industry in order to absorb the surplus grain output in the future.²

More details can be provided on the practice of the contract system introduced in 1985. The state commercial departments consulted peasants before the sowing season and signed purchase contracts with them. The policy guideline was to purchase more from high-yield areas and none from deficit areas. To encourage peasants who grow commercial grain, the government grants them preferential supplies of diesel oil, improved seeds, chemical fertilizers, insecticides and other agricultural imports. As far as the purchase price of grain under contract is concerned, 30 percent of the grain is purchased at the original state purchase price and 70 percent at the high, above-quota purchase price.

Any surplus grain output above the contract amount will be sold at the market price. If the market price is lower than the state purchase price, the government can buy more grain at the state purchase price if it decides to raise farm income. As for the purchase price of cotton, 30 percent is purchased in north China at the state purchasing price and the remaining 70 percent at the above-quota purchase price. In the south, the proportions are 60 percent and 40 percent at these respective prices. Again, any surplus cotton is sold in the market, and the government has the option to buy it if the market price falls below the state price.

The fixed quota purchase system for pork, beef, mutton, poultry, eggs, vegetables, aquatic products and other nonstaple foods was abolished in 1985; thereafter, these products were sold in the market at market prices. Because the market prices of these products went up sharply after decontrol, the government was concerned about the consequences of food price inflation in the urban areas. A stipend was given to every city dweller to compensate for such price increases; grain rations continue to be available to city dwellers and the price of rationed grain remains unchanged.

The price decontrol for pork, beef, mutton, eggs, milk, poultry and fishing products has greatly stimulated the production of these products, which increased rapidly in 1985 and 1986. Because of the initial low level of output of these products in relation

²*China Business Review*, vol. 13, no. 2 (March/April, 1986), pp. 4, 20.

to demand, even the rapid expansion of their output in 1985 and 1986 was hardly sufficient to dampen their market prices significantly. Therefore, their prices remain relatively high. City dwellers' complaints about food price increases continued and became a sensitive political issue in China. Before the reform, these products were rationed in meager quantity but at low ration prices. At present, rationing has been abolished; and the high prices prevent city dwellers from consuming significantly more than before. The complaints about high prices will remain until the commercial production of these products reaches the level that would enable city dwellers to consume substantially more than before at lower prices.

The two stages of rural economic reform also have greatly expanded rural industry, construction, transport and commerce, providing employment for surplus rural labor. By the end of 1985, the output value of rural factories reached 230 billion yuan, making up nearly 23 percent of the total industrial output of the nation. About 20 percent of China's rural labor force (and in some prosperous areas half to two-thirds of the rural population) has been freed from farming. The primary destination for the surplus labor from the farms will be the thousands of new towns dotting the countryside. The acceleration of the development of towns and township enterprises in recent years is not only the result of government encouragement, but is also the consequence of the rural economic reform.³ In addition, the reform also greatly expanded the farmers' supply and marketing cooperatives in rural areas. They, in turn, helped to establish more urban fairs and rural fairs in recent years.⁴

SECOND STAGE REFORM

The second stage reform was a natural follow-up of the developments resulting from the first stage reform. Although it has been an integrated part of the overall rural economic reform, its introduction was hastened by the tremendous success in boosting agricultural output in the first stage and by the large subsidies and expenditures incurred by the government. During the first stage (1978–1984), government procurement costs and subsidies increased rapidly because both purchase prices and the quantity of mandatory purchases by the government mounted. Furthermore, when the government sold these products, especially

rationed cereal foods and edible oils, the consumers' rationed prices were kept artificially low. Government subsidies and, consequently, government deficits soared. In addition, the government storage capacity was outstripped and spoilage losses mounted as grain was stored in poor makeshift facilities.

As new bottlenecks and problems emerged from the rapid development of the rural economy after 1978, new challenges arose. Solving these problems will lay the groundwork for sustained agricultural growth during the coming decades. One of the immediate problems is the rapid improvement in handling and processing of the growing harvest of farm products, especially grain. In the future, the government will continue to reduce its contracted purchases, compelling China's marketing system to deal with an increasingly larger flow of grain. Grain deficit areas are encouraged to negotiate directly with grain surplus provinces by bypassing government channels. But this will increase the commercial production and marketing of grain and will require increased investment in grain distribution, including handling, storage and transportation.

The handling of grains, especially by individual households, requires more sophisticated equipment tailored to individual use for threshing, drying and removing foreign materials and dust so that cleaner grain can meet the needs of consumers, processing and trade. Most current storage facilities are relatively simple and grossly inadequate. Storage losses are reported to be very large. Inland transportation has been the single largest bottleneck in moving grain to consumers. The large increase in Chinese foreign trade greatly aggravates the problem of port congestion and the shortage of general cargo berths. China has emerged as a significant exporter of corn, sorghum and rice in the past years. For example, its corn exports alone jumped from less than 100,000 tons in 1983 to some 5 million tons in 1985.⁵

Better food processing in canning, freezing and food packaging will be needed to process the large increase in farm products for domestic consumption and export. With large quantities of grain in excess of basic food needs available for the first time, consumers, with greater income, will demand more choices in the type and quality of grain. Most of China's surplus grain is regarded as low in quality and with limited marketability. Large investment in equipment and technology will be required to convert this low-quality grain into processed foods, industrial raw materials and poultry and livestock feeds, and to process grain into fast foods, infant foods, beverages and confectionary products to meet the growing consumer demand.

Under present conditions, some farmers hesitate to grow grain; selling grain is difficult because the government reduces its contract purchase price and because of market uncertainty. In addition, grain

³Joseph Fewsmith, "Rural Reform in China: Stage Two," *Problems of Communism* (July/August, 1985), p. 53; "Price Increase Slowing Down," *Beijing Review*, vol. 29, no. 32 (August 11, 1986), p. 7; "Rural Industries Take On Technology," *Beijing Review*, vol. 29, nos. 6 and 7 (February 10, 1986), p. 5; "Reform Logs Sound Results," *Beijing Review*, vol. 29, nos. 6 and 7 (February 10, 1986), p. 4.

⁴"Farmers Active in Commercial Sector," *Beijing Review*, vol. 30, no. 19 (May 11, 1987), pp. 17–20.

⁵Lew Erisman, "The Grain Challenge," *The China Business Review*, vol. 13, no. 2 (March/April, 1986), pp. 20–24.

storage is not always available. Under these conditions, grain farmers may not have the incentive to raise grain output as the government plans (the plan for 1990 output is 450 mmt). But if the improvement in handling and processing grain (and other agricultural products as well) succeeds in turning these agricultural products into high-value products, peasants may have the needed incentive to produce continuously greater output of agricultural products, especially grains.⁶

Another challenge is water—the expansion of new water conservancy facilities and the repair and maintenance of the existing facilities. The reformed rural system is often regarded as the main contributor to the tremendous increase in agricultural output in recent years. However, without water conservation and land improvement efforts during the previous decades, the reformed system would not have been able to raise agricultural production as much as it has. The reformed system enables peasants more fully to utilize the potential of long-term development projects in water control and land improvement. These long-term development projects were built under the rural commune system. Many millions of laborers from the communes were sent to build these projects, especially during the winter season, for several decades before the rural economic reform. However, little investment has been put into water conservancy and land improvement projects in the last few years.

On top of poor management, the maintenance of existing projects has also been neglected. It was reported that irrigated areas were reduced by 985,000 hectares between 1980 and 1985.⁷ A number of factors were responsible for this reduction: namely, poor management and maintenance, road and factory building at the expense of water control facilities, and vandalizing of these facilities. The individual household responsibility system since 1978 has not provided the means to build such long-term projects. Great effort will have to be made among the grass-roots organizations and authorities to increase new investment in water conservation and land improvement projects, as well as to improve the maintenance and management of existing facilities. Otherwise, China's goals of producing 450 mmt of grain by 1990 and 490–500 mmt of grain by the year 2000 may not be attained.

Another challenge is to narrow the difference between the prices of agricultural inputs and the purchase prices of farm products (the so-called price-scissors effect). The prices of agricultural inputs, like gasoline, equipment, machinery and chemical fertilizers, should be

reduced further. Investment in industries producing farm inputs, especially chemical fertilizers and insecticides, should be greatly increased to supply more of these farm inputs at lower prices. In the past several decades, the prices of agricultural inputs were high relative to the purchase prices of farm products. The price-scissors effect was unfavorable to the farm sector. Since the rural reform, the prices of farm products have been raised on several occasions. Any further large increase in the prices of farm products will lead to greater increases in the cost of living. In order to achieve sustained agricultural growth, the difference in these two sets of prices should be further narrowed by lowering only the prices of agricultural inputs to ensure profits for the farmers.

Another challenge is the spread of agricultural techniques to the individual farm household. The yield per acre of farm products has increased rapidly in recent years and many yields have reached fairly high levels compared to world averages. Further growth in agricultural production will also depend on the rapid spread of the modern farming techniques. In the past few decades, China has been successful in producing some new strains of high-yield seeds.

More new strains of corn, cotton, fruit and vegetables will have to be developed and a much wider use of these new strains is required. Improvement in poultry and livestock feed techniques and veterinary medicine is greatly needed. Another crucial factor is the availability of larger numbers of agrotechnicians in the rural areas for extension services and problem-solving consultation.

Under the present household responsibility system, farmers are more eager to learn to use these new techniques than ever before. The availability of technical manpower in large numbers has become essential to the farmers.

POPULATION

One more problem relates not only to agricultural production but also to future man-land ratios as population continues to grow. The problem is the continuous decline in the total acreage of cultivated land. During the sixth five year plan period (1981–1985) China's cultivated land decreased by an average of 446,000 hectares a year.⁸ The total loss in that period amounted to 2.23 million hectares. The total cultivated land of China was usually reported at just around 110 million hectares. This represents a loss of over 2 percent of total cultivated areas in recent years. The decline in total acreage of cultivated land has been

(Continued on page 274)

⁶Linda Gramling, "Progress in Food Processing," *The China Business Review*, vol. 13, no. 2 (March/April, 1986), pp. 33–38.

⁷"Water Conservancy Gets Urgent Review," *Beijing Review*, vol. 29, no. 26 (June 30, 1986), pp. 7–8.

⁸"Goal Set to Ensure Agriculture Growth," *Beijing Review*, vol. 30, no. 11 (March 16, 1987), pp. 6–7.

Kuan-I Chen made an extensive tour in China to visit rural communes, industry, irrigation and water conservation projects in 1979. In 1985, he spent three months lecturing in several Chinese universities.

"Two developments of significance offer some basis for expecting continued liberalization. The first is the slow rooting of more civil and humane norms of political contention. . . . The second is the growth of a limited degree of institutional pluralism. . . . whatever the factional and structural limits to reform, there is an independent dynamic at work propelling reform forward along an inevitably uncertain course."

The Limits of Political Reform

BY VICTOR C. FALKENHEIM

Associate Professor of Political Science, University of Toronto

FOR the better part of a decade now, the theme of reform has dominated the policy agenda in China. In the political realm, efforts to perfect "socialist democracy" have led to a variety of rationalizing and liberalizing initiatives designed to create a more efficient and responsive state apparatus. In the economic realm, the twin slogans of "enlivening the economy" and the "open door" have stimulated wide-ranging programs of commercialization and marketization. Although the pace of change has fluctuated in response to circumstances and shifting leadership priorities, substantial progress on the overall reform agenda has been achieved. The result has been the emergence of an economic and political climate vastly more open and liberal than there was in the late 1970's or earlier.¹

Further, at mid-decade the prospects for continued reform seemed particularly bright. The seventh five year plan (1986–1990) had assigned top priority to reform of the economic structure over the entire duration of the plan. In addition, under the banner of "comprehensive reform," in early 1986 de facto leader Deng Xiaoping signaled his personal support for advancing more vigorously on the political reform front, announcing that such reforms were "urgent and necessary" in order to ensure the success of the economic reforms. With political reforms slated to be taken up at the thirteenth congress of the Chinese Communist party (CCP) in the fall of 1987 (at which point it was expected that final succession arrangements would be completed), there was widespread optimism that the momentum of change would be sustained.

By early 1987, much of this optimism had been dissipated. The public debate on political reform options in the spring and summer of 1986 had trig-

gered uncomfortably bold challenges to party ideological leadership. More alarming to the leadership, some of these themes were espoused by university students who took to the streets in late 1986 to dramatize their own local and individual needs and concerns. This loss of control led to renewed conflict between liberals and conservatives in the top echelons of the party, and before the dust had settled, one of Deng Xiaoping's key protégés and successors, party General Secretary Hu Yaobang, had been forced to resign amidst charges of "lax" ideological leadership. Further, his interim successor as acting General Secretary, Premier Zhao Ziyang, under strong conservative pressure, announced that while political and economic reforms were to continue, they were to be accompanied by a protracted struggle against "bourgeois liberalization" in order to guarantee the "stability and unity" essential to socialist modernization.

To many observers, this setback to Deng's succession plans and the spillover effects of the conservative backlash spelled trouble for the entire reform program, particularly the vulnerable and controversial political reform. Arguably, however, the omens are not nearly so bleak. Rather, the events of 1986–1987 can be seen as repeating a cycle of advance and retreat that has been evident from the outset of the reforms. Moreover, while the contradictions and dilemmas that have set limits on political reform to date are clearly once again in evidence, there are signs that the reforms have in fact taken deeper root than many might previously have believed.

Although the political reform program gained particular importance in 1986, it has, in fact, been a prominent feature of Deng's "Second Revolution" from the outset and has often been described as an indispensable complement to the "four modernizations" program as a whole. Initially remedial in intent, the reforms sought to address two related problems: the institutional feebleness of the party-state structure, in serious disrepair after a decade of Cultural Revolution politics; and the serious erosion of public confidence, dubbed by the leadership the "crisis of faith."² In the

¹Hong Yung Lee, "The Implications of Reform for Ideology, State and Society in China," *Journal of International Affairs*, vol. 37, no. 2 (Winter, 1986).

²Harry Harding, "Political Development in Post-Mao China," in A. Doak Barnett and Ralph N. Clough, eds., *Modernizing China: Post-Mao Reform and Development* (Boulder, Colo.: Westview Press, 1986).

party's own analysis these failings were the direct consequence of a misguided and repressive radicalism, made possible by the absence of checks on arbitrary state power, a defect rooted in China's feudal and absolutist tradition.

A major thrust of the reforms aimed at "bringing order out of chaos" has been to loosen stringent class-based political controls, according a greater degree of tolerance to previously suspect groups ranging from ex-capitalists to religious minorities to intellectuals. Efforts have been made to give greater predictability to politics, in part by extending the regulatory role of law. New legislation has sought to give a more effective voice to the citizenry by means of new participatory mechanisms. Efforts to improve policy making have focused on establishing some degree of institutional power-sharing, delimiting, for example, the respective spheres of party and government authority.

There has been a decline in the scope and applicability of ideology, which has been refocused on the pragmatics of economic development and meeting citizen material aspirations. Organizationally, great efforts have been made to improve the quality of the party and state bureaucracies through streamlining and particularly through policies designed to replace existing elites with younger and better trained leaders.

Against the backdrop of the Cultural Revolution era, these changes are not insignificant, and cumulatively they have had a major impact on political life in China. But these efforts at depoliticization, deradicalization and rationalization have, at best, softened the intrinsic authoritarianism of the Leninist party-state and have implied little in the way of real power sharing to date. Two factors have kept more fundamental political reform on the leadership's agenda. One is the conviction held by a significant group of senior leaders that the restoration of traditional Leninist institutions is an inadequate response to current needs. Within this "liberal" constituency can be found advocates of a genuinely more pluralistic political process as well as others, Deng Xiaoping among them, who see political reform largely in instrumental terms, as paving the way for economic reforms. This latter group, impatient with the political nostalgia of the conservatives, believes that the new era of "commodity socialism" requires genuine political innovation, even at the cost of some loss of control.

A second factor has been the impact of the limited reforms to date, which have had a dynamic of their own, as citizens and elite groups wrestle to define the limits of these reforms in practice. This "grass roots"

factor appears to be of growing significance as the current policies generate new interest cleavages in an era of declining collectivist sentiment and growing openness, and have been manifested in a far more assertive pattern of citizen political involvement.

The threat that liberal reforms pose to the preservation of party leadership and doctrinal control has defined the "conservative" position within the leadership. The conservatives have tended to resist changes that weaken party control, or excessively dilute China's socialist orthodoxy. During periods of unrest or economic difficulty the conservatives find common ground with "law and order" liberals like Deng Xiaoping, and reform initiatives tend to be put on hold in favor of an emphasis on ideological orthodoxy. The zigzag course of political reform over most of the past decade has reflected this interaction between elite groups divided over how far to push reform and groups in society testing the political waters, a pattern once again evident in 1986 and 1987.³

POLITICAL REFORM: 1986-1987

The decision to elevate political reform to parity with economic reform in mid-1986 relates to two liberal concerns. The first, largely tactical in nature, was the need to respond to a conservative political offensive of late 1985 emphasizing tighter political controls as an antidote to the "unhealthy practices" emerging in the course of the economic reforms. The second, more structural in character, centered on how to deal with bureaucratic impediments to economic reform.⁴

This latter concern is particularly evident in successive statements by Deng Xiaoping in 1986. Deng noted that experience with reform had made it clear that many of the problems were "man-made." His elaboration of the problems pointed more to problems of structure than ideology. The economic slowdown and poor enterprise performance were, he surmised, partly a consequence of party committees and government bureaus "seizing back" powers delegated to the enterprises as a result of the reforms. He concluded, "Whether all our reforms are ultimately successful depends on reform of the political structure . . . Reforming economic structures without revamping the political structure simply will not work."

As to what the reform might encompass, Deng revealed himself both agnostic and cautious. He outlined three broad tasks, to maintain "the vitality of party and state," to "overcome bureaucracy and raise efficiency" and to "enliven the grass roots."

But whether it should be these three or just two or four or five he left open. Not only was the reform "experimental," requiring the party to "grope its way forward," but "it affected many interests," requiring "steering a very cautious course." There was not enough time, Deng noted in June, 1986, to make any decisions at the upcoming sixth plenum of the Central

³For further development of the distinction between liberal and conservative reformers, see Victor C. Falkenheim, "Political Reform in China," *Current History*, September, 1982, pp. 259-261.

⁴Stanley Rosen, "China in 1986: A Year of Consolidation," *Asian Survey*, vol. 27, no. 1 (January, 1987), pp. 38-41.

Committee, but research and debate should pave the way to consideration of the issue at the fall, 1987, thirteenth congress. Deng made clear his own view that it was crucial to prevent the party from "interfering" excessively and that party-government relations were "the crux of the matter" and needed to be taken up as the first problem.

Warning against delay, Deng asked the congress to produce a blueprint for reform, offering some guidelines to reformers. First, priority had to be given to separation of the party and the government; second, he warned against mechanically borrowing from the West. There were dangers to overstressing "checks and balances." After all, the former system of leadership had the advantage "that decisions could be made quickly." Finally, he warned, "bourgeois liberalization should not be encouraged," a code word for advocacy of more radical democratic and capitalist reforms.⁵

Although Deng's position in 1986 was somewhat more resolute and concrete than when he first set forth his views on political reform in 1980,⁶ its democratizing strains were clearly muted. In the hands of his lieutenants, however, reform took on a more liberal cast. In June, 1986, Deng entrusted the issue of political reform to the party secretariat, an institution dominated by liberal reformers. The principal thrust of their efforts was to encourage public debate and discussion on the issue of reform, in order to assist with the clarification of both problems and solutions.

As Hu Yaobang noted, China was moving into uncharted territory, which required wide-ranging canvassing of options. The editorial comments that followed largely echoed Deng's assessment. Efforts at political reform could count many accomplishments, including the "abolition of life tenure" for leading officials and the promotion of many young, capable people, all of which had given "a significant fillip to socialist democracy" and to "reform in the economic field." But the changes "are not enough to attain our long-term ends."⁷ Surveys of reformers and of enterprise managers pinpointed the persistence of "feudal thinking" as a key obstacle to reform and called for focusing criticism on backward thinking.

This effort to stimulate debate, clearly designed to

put pressure on the conservatives, as well as to prepare the ground for the next stage of reform, was given impetus by the decision to celebrate the thirtieth anniversary of the 100 Flowers movement, a bold if abortive experiment with encouraging criticism and debate in 1956–1957. A prominent Deng associate, Vice Premier Wan Li, struck a characteristic note in reaffirming the principle of "Let 100 flowers bloom, 100 schools of thought contend," which had "not [been] implemented for a long time." Endorsing its application to political debate and policy research, Wan Li attacked those "who refused to enrich Marxism," on the pretext of "safeguarding the purity of Marxism." He called for breaking down "all restrictions on the free expression of ideas," carrying out "to the letter" the freedom of speech clause of the constitution. "A great socialist country with 1 billion people cannot be overthrown by a few words that may be unpleasant to the ear." Were China to create an environment in which free exchange of ideas were "the norm of life," it would be possible to develop both a scientific and a democratic approach to policy making, thus redressing "the main defect of the existing political structure," overcentralization of power and "imperfect policy making."⁸

The debate on democratic reform generated by these appeals revealed a wide range of opinion among scholars. At one end of the spectrum, some denied the posited linkage between political and economic reform, arguing that until a breakthrough occurred in the economic realm, political reform was premature and should not be the focus for research until the 1990's. At the other end of the spectrum, there were proposals "that the pluralistic concept of interests" offered promising ways of conceptualizing reform in a search for a "stability and unity" founded on true accommodation of interests. For the most part, however, reform advocates concurred with Deng's views on the urgency of reform and on its limits. Reform had to "proceed from reality" which, in the views of the mainstream, meant respecting China's historical reality (i.e., the party's right to leadership as the "historical outcome" of a century of revolutionary struggle). This was the ineluctable "premise of any plan of political restructuring."

In terms of concrete measures, most observers perceived the critical issue to be the need "to solve the problem of division and balance of power . . . so that external supervision and mutual restraint" could be achieved. In dealing with this issue, the tripartite division of labor found in capitalist systems offered instructive lessons, but in China the key was to improve the role of legislative bodies in both policy and oversight functions, to strengthen the role of unions, to secure genuine judicial independence, and to work toward a more adequate system of administrative law.⁹

Coinciding with this debate were increases in reported experiments in extending legal and judicial reforms, strengthening the investigative powers of local

⁵*Beijing Review*, vol. 30, no. 20 (May 18, 1987), pp. 14–17.

⁶Stuart Schram, *Ideology and Policy in China Since the Third Plenum, 1978–1984* (London: Contemporary China Institute, School of Oriental and African Studies, 1984).

⁷Geng Yuxin, "Why the Political System Needs Further Reform," *Beijing Review*, vol. 29, no. 33 (August 18, 1986), p. 4.

⁸Wan Li, "Making Policies Democratically and Scientifically—An Important Problem of Political Restructuring," *Beijing Review*, vol. 29, no. 39 (September 29, 1986), pp. 28–29.

⁹*AsiaWeek*, August 3, 1986, pp. 10–14; Li Kejing, "China's Political Re-Structuring and the Development of Political Science," *Social Sciences in China*, Autumn, 1986, pp. 9–24.

deputies and democratizing intraparty leadership election procedures. Of particular note were the December, 1986, amendments to reform the election law, prohibiting interference in candidate selection and other violations so "that the will of the voters will be respected."¹⁰ Needless to say, all these were largely extensions of reforms already under way.

CONSERVATIVE OPPOSITION

For the most part, conservatives did not oppose these reforms, although some expressed skepticism that democracy was realizable in China. As Hu Qiaomu, a leading conservative theoretician, put it, the assumption that every problem large or small can be decided by a vote on the part of the masses, would require constantly voting daily and hourly. Moreover, every individual . . . would have to be an encyclopedia, a concept he dismissed as preposterous.¹¹

Conservatives were, however, primarily exercised over ideological issues. This concern took several forms. First, they were concerned with the neglect of fundamental socialist values in a reform drive that accented achievement and prosperity. The reforms, in their view, were creating an ideological and ethical vacuum that jeopardized both solidarity and political control. Second, such slogans as "emancipate thought" and the injunction to "adapt Marxism" to current circumstances appeared likely to compound the very crisis of belief they were intended to mitigate. In their view, "adapting Marxism" was simply a means of ignoring its lessons. Defending Marxism against its critics in 1986, Peng Zhen lambasted those who dismissed the ideal of Communist society as "empty talk," and particularly warned backsliding party members who wavered in their convictions.¹²

To a degree, these anxieties were shared by many liberal reformers as well, and influenced the party's agenda as a whole. In late 1985, Deng himself had called for doctrinal vigilance, for combining "discipline" with long-term education "in lofty Communist ideals." And in early 1986 *Beijing Review* listed as a key task for the year inculcating a "Communist spirit of service."¹³ Indeed, the whole question of how to build a "socialist spiritual civilization" (an issue long under consideration) was made the primary focus of

the then upcoming September sixth plenum of the Central Committee. What made such issues divisive within the leadership were their political implications. Stressing the menace of "bourgeois liberalization" was one way to try to limit or shut down free-wheeling exploration of alternative models, Western or Chinese. Emphasizing socialist spiritual civilization could be used to query or slow the reforms. This problem was clearly what reform leader Hu Qili had in mind when he criticized the view that "socialist spiritual civilization was the antidote to unhealthy tendencies." The real solution, he noted, was more and deeper reform.¹⁴ It was, in fact, precisely this tendency toward ideological purification movements that fed antireform sentiment, leading such reform drives to be aborted on several occasions in the 1980's.

These issues came to a head at the sixth plenum where Hu Yaobang and others reportedly resisted the inclusion of an antibourgeois liberalization plank in the final resolution. Only after eight or more drafts and the personal intervention of Deng on behalf of the conservative position was such a commitment inserted. It was, in fact, not until after Hu's fall from grace that Deng's speech on behalf of doctrinal control was published.¹⁵

The uneasy compromises of the sixth plenum, which called for continued political and economic reform as well as greater attention to political values and education, came dramatically unstuck in late 1986. One factor was the increasingly bold questioning of Marxist verities by some intellectuals within the party. For example, Fang Lizhi, a prominent astrophysicist, urged the party and intellectuals in particular to break through "narrow orthodoxy" by means of a "comprehensive liberalization." Intellectuals, he argued, had a particular responsibility to exercise their independent critical faculties in pushing for the reevaluation of policies and options. Fang directly challenged the announced limits on debate, arguing for unrestricted borrowing from the West and thoroughgoing democratization. Fang's views, though bold, did not exceed the mandate laid down by Wan Li, and it seems clear that he felt emboldened by high-level support and saw himself in part as an in-house critic.

Two factors in particular caused Fang trouble. One was his use of public forums to advocate his views, later condemned as "demagogic." The second was his willingness to criticize senior leaders. Having lashed out at Beijing's vice mayor in 1985 for academic junketeering, he trained his fire on senior theoretician Hu Qiao Mu in 1986 and announced that the politburo itself was his next target.¹⁶

Fang's views, echoed by others, including the now-purged journalist Liu Binyan and the writer Wang Ruowang, were reminiscent of the "100 Flowers" era and might have been allowed more scope had it not been for the outbreak of student demonstrations in

¹⁰Zhang Shangzhuo, "New Development in China's Election System," *Guangming ribao*, June 25, 1987; "Shanghai's Deputies Win New Powers," *South China Morning Post*, July 28, 1987.

¹¹Schram, op. cit., p. 55.

¹²*Beijing Review*, vol. 29, no. 20 (May 19, 1987), pp. 23-24.

¹³*Beijing Review*, vol. 29, no. 1 (January 6, 1987), p. 5.

¹⁴*AsiaWeek*, June 22, 1984, pp. 47-48.

¹⁵*China News Analysis*, no. 1321 (November 1, 1986); *Japan Economic Journal* (December 20, 1987), p. 7; for text of Deng's speech at the 6th plenum, see *Wen Wei Po* (Hong Kong) (March 21, 1987).

¹⁶*China Spring Digest*, vol. 1, no. 2 (March-April, 1987).

late fall, which soon spread to cities across China. For the most part spontaneous, the demonstrations varied in their local causes, which included complaints over dormitory conditions and tuition fees; ultimately, they raised questions of university governance and, by extension, questions of political authority. Because campuses constituted electoral constituencies and because local elections were just under way, issues of civic democracy and the adequacy of political reforms became a focus of complaints. To a degree, the students saw themselves as spearheading the drive to push the political reform ahead by pinpointing local violations in practice.¹⁷

The effect of the demonstrations was to precipitate the most serious leadership crisis of the Deng era. The most dramatic and unexpected consequence of the demonstrations was the forced resignation of party General Secretary Hu Yaobang and the rapid departure from office of several of his key associates in the propaganda and public security portfolios. While many factors underlay his resignation (including his own personal failings and his inability to gain the confidence of the senior military leaders), what is significant is the principal allegation against him; i.e., that in his role as General Secretary of the party he was responsible for "weak and lax leadership in the ideological field." As his interim successor, Premier Zhao Ziyang noted in early 1987, the party under Hu's leadership "failed to pay close attention to and give adequate support to the dissemination of Marxism and even took a laissez-faire attitude toward bourgeois liberalization. . . ." Zhao drew a direct connection between the "disturbances" of late 1986 and "widespread bourgeois liberalization."¹⁸

Whatever the accuracy of this view of the demonstrations or the imputation of responsibility to Hu Yaobang (who may have been a sacrificial lamb in this crisis), the effect of his fall was to alter the political balance at the top and tilt the reform agenda to conservative concerns. The struggle against bourgeois liberalization, now defined as a rejection of party leadership and of socialism, and an advocacy of capitalism and "all-out Westernization," was enshrined as a major priority through the middle of the 21st century. This was a major concession on a conservative issue on which its partisans had been defeated for years. It was also decided that greater priority had to be accorded to propaganda work and political education both in the schools and in society. The failings of the party in this area were the result of the Cultural Revolution that had discredited political work and led to an unbalanced preoccupation with "left" errors and a neglect of the dangers of "right" errors. The effect

was to hamstring ideological workers, creating "abnormal circumstances" in which "anyone daring to criticize Marxism was regarded as ideologically emancipated and was well received" while "comrades who upheld principles were regarded as troublemakers."¹⁹

The fundamental thrust of ideological work in the wake of this crisis has been to assert and defend the Marxist fundamentals embodied in the "four cardinal principles." First set forth by Deng in 1979 in the wake of the "democracy wall" movement, they call for unconditionally upholding party leadership, Marxism-Leninism-Mao Zedong thought, socialism, and the People's Democratic Dictatorship as the bedrock on which socialist modernization is to proceed. Efforts along these lines have sought to dispel uncritical infatuation with Western and capitalist models as pointing the way for China's reform and, on the other hand, to advance the claims of socialism as the correct and historically necessary step in China's quest for prosperity and justice.

To give teeth to these emphases and to highlight the limits of permissible debate within the party, those deemed guilty of advocating bourgeois liberalization, including Fang Lizhi, were dismissed from the party. It was asserted pointedly that by violating party discipline, they were themselves forfeiting membership and that their removal was not an attempt to muzzle them as citizens. However, in the wake of their dismissal a variety of journals and newspapers, which carried more far-reaching and daring criticism, found themselves shut down or their editorial boards "reorganized" and some of the more innovative reform think tanks and leaders found themselves under pressure and criticism.

In particular, fallacious views such as those contending that because "China had not undergone capitalist development, it should now retrace its steps" were subject to vigorous condemnation, as was Fang Lizhi's advocacy of an independent role for intellectuals. Fang's notion of an "independent ideology" was dismissed as a "fraud" and "a great temptation" to naive students, and the press castigated him for sowing dissension between the party and intellectuals.

To the extent that these doctrinal emphases required reinforcement, the leadership reverted to techniques unabashedly linked to earlier eras of political mobilization. Articles in the *People's Liberation Army Daily* invoked the need for "ideological remolding" in the

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Victor C. Falkenheim has contributed articles on politics, administration and political participation in China to such journals as *Asian Survey*, *China Quarterly*, *Contemporary China*, *International Journal*, *Pacific Affairs*, and *Problems of Communism*, as well as to edited collections.

¹⁷ *China News Analysis*, no. 1328 (February 1, 1987).

¹⁸ *Beijing Review*, vol. 30, no. 16 (April 20, 1987).

¹⁹ "Reflections in the New Spring," *Guangming ribao* (February 12, 1987).

"Due to the changes in defense ideology in the 1980's, China has emerged as a major arms and weapons systems exporter. In the long run, it will benefit from the technology acquisition associated with manufacturing these systems. But for the time being it must be frustrating to serve in an army that is 15 to 25 years behind the times, while reasonably modern weapons are being exported."

Defending China in 1987

BY HARLAN W. JENCKS

Adjunct Professor of National Security Affairs, Naval Postgraduate School

SINCE 1980, China's announced defense budgets have dropped from over six percent of the gross national product (GNP) to less than three percent of the GNP.* New justification for this reduction was provided in early 1986, when top People's Liberation Army (PLA) leaders stated that the objective likelihood of a major war has been so reduced by the American-Soviet nuclear stalemate that the world faces a "relatively long period of stability and peace." The PLA, therefore, made a "strategic change of ideology" from readiness for an "early war, major war, and nuclear war" to a long period of building a "regularized, modernized, revolutionary army."¹

The ensuing reorganization of the PLA in the early 1980's saw the elimination of the field artillery, armor, railroad troops, combat engineers, Capital Construction Engineer Corps, and communications branches, all of which were either transferred to civilian management or downgraded to the status of subdepartments of the General Staff. In 1984, the Strategic Rocket Force was created.²

In June, 1985, the government announced the reorganization of the entire defense establishment. Consolidation of the Military Regions (MR's) from eleven into seven facilitated regional defense and enhanced the authority of the remaining military regional commanders. The state council directed the reorganization of the PLA Corps into combined-arms "Group Armies" and the reduction of military strength by 1 million men. When the reduction was officially com-

pleted in April, 1987, PLA strength was just over 3 million. Press reports said that at least 25 percent of those demobilized were officers.³

Further reduction in PLA strength was effected by transferring units from the PLA local forces to the People's Armed Police Force (PAPF), which is subordinate to the Ministry of Public Security.

One of the major trends of the 1980's has been PLA divestment of nonmilitary functions, such as construction and police work, and concentration on purely military functions. As part of this policy, the People's Armed Forces Departments, which are the lowest level command organs of the People's Militia, were ordered to revert from military to civilian government control in 1985. This process continued slowly through 1986 and into 1987. When a state directive takes so long to implement, this is usually an indication of low-level bureaucratic resistance and, possibly, some division of counsel within the national elite. Similarly, the military rank system mandated by the 1984 Service Law has still not been implemented.⁴

Civil-military relations remained stable through 1984-1987, although there were rumblings of discontent, particularly among older officers who found their positions affected by reorganization and their beliefs challenged by new policies. Younger, better educated, more professional and less politically active officers are now entering the General Departments and top field commands.

Party rectification in the PLA continued through 1986. In March, the General Political Department (GPD) called on the army, once again, to learn from Lei Feng, the model martyr-soldier who died in the early 1960's. A number of events and incidents indicated that "unhealthy practices" continue within the PLA, as within the rest of society. A notable instance was the cancellation of the All-Army Games in April, 1986, because of widespread cheating in athletic recruitment.

An enlarged Central Military Commission (CMC) meeting in December, 1986, was attended by commanders of Military Regions and Group Armies.

*The opinions or assertions contained herein are those of the author and are not to be construed as the views of the Navy or any other government organization.

¹*Ta Kung Pao* (Hong Kong), February 16, 1986, citing *Jiefangjun bao*, February 16, 1986; Deng Xiaopeng, April 24, 1986, in *Renmin ribao*, quoted in *Hong Qi*, no. 13 (July 1, 1986), pp. 20-26.

²Military Service Law of the People's Republic of China, May 31, 1984.

³*Jane's Defence Weekly*, April 25, 1987, p. 760.

⁴Nanning Guangxi Regional Service, February 14, 1987; Liu Yan and Wu Gang, "A Tentative View on the Role of Ranks," *Jiefangjun bao*, January 20, 1987.

China's de facto leader Deng Xiaoping observed approvingly that army commanders are much younger than before. In his closing speech, PLA Vice Chairman Yang Shangkun stated unequivocally that the army should "establish the modernization program as the main task." It is striking that none of the speeches specifically mentioned "bourgeois liberalism." Yu Qiuli, chief of the GPD, never mentioned it, although he did refer once to the danger of "ultra individualism." After the student demonstrations and just before the dismissal of party General Secretary Hu Yaobang in early February, the army press began to attack "bourgeois liberalism," invoking the CMC meeting as its authority. If "bourgeois liberalism" was indeed discussed at the December meeting, however, it was not publicized at the time.⁵

On February 5, 1987, *Wen Zhai bao* bragged that, of all the students involved in the December demonstrations, not a single one had come from an army school. On February 6, *Jiefangjun bao*, the army newspaper, again called on all soldiers to emulate Lei Feng, this time characterizing the movement as an attack on "bourgeois liberal" ideas. A February 11 editorial emphasized what has come to be the army's principal response to the "bourgeois liberalism" problem: reemphasis of its tradition of "plain living and hard struggle." With the exception of a few editorial statements in February, the military press has attacked "bourgeois liberalism" in generalized terms or as a problem of society, not of the army. On February 17, Chief of Staff Yang Dezhi delivered a lecture to political workers in the General Staff Department. Like most national leaders, Yang emphasized that:

to build a socialism with Chinese characteristics, we must persist in implementing the policy of making reforms, opening to the outside world and enlivening the economy on the one hand, and keeping to the four cardinal principles on the other. We must integrate one with the other. We must not set one against the other.⁶

On February 25, the Party Central Committee announced a CMC "Decision on Armed Forces Political Work in the New Period" which, it implied, had been written during the December CMC meeting. This lengthy recapitulation of political work methods and themes mentioned the need to "resist the inroads of decadent capitalist and feudal ideas," but the term "bourgeois liberalization" did not appear. Evidently, China's leaders do not regard "bourgeois liberalization" as an army problem, except that outside forces might make it a problem in the future.⁷

A small Chinese naval flotilla left Shanghai in

November, 1985, conducted port calls in Pakistan, Sri Lanka and Bangladesh, and returned in January, 1986. On the return voyage, it encountered elements of the United States Seventh Fleet at sea. According to the United States Navy, they "conducted a passing exercise" and were prevented from exchanging officers and other joint maneuvers only by inclement weather. Chinese officials emphatically denied that there was any sort of joint "exercise," and said they merely "exchanged greetings." These differing versions are symptomatic of the Sino-American military relationship, with the Americans heavily emphasizing the positive while the Chinese downplay the situation.

In November, 1986, an American flotilla called at Qingdao. A port call scheduled for April, 1985, at Shanghai was canceled at the last moment when Hu Yaobang challenged the American policy of "neither confirming nor denying" the presence of nuclear weapons aboard the ships. In 1986, neither side raised the issue, which was something of a concession by the Chinese. The purpose of the visit was not only to strengthen the Sino-American military relationship (the primary American aim), but also to give the Chinese a chance to look at various systems in operation aboard the ships, some of which they have been negotiating to purchase.

A dozen or more top-level Chinese and American military officials exchanged visits throughout 1986. The Chinese have been cautious about the prospects for American weapons and military technology imports, and about military relations in general. In March, the foreign ministry denied a *Washington Post* report that China and the United States were negotiating to establish a station in China to monitor nuclear tests in the Soviet Union. There have been sporadic reports for nearly a decade that some sort of joint monitoring facilities already exist, though, naturally, no details are available from either government.⁸

January, 1986, saw the usual seasonal Sino-Vietnamese border fighting. There was also fighting in October, and the heaviest fighting in at least five years on January 3-8, 1987. China instigates most of these battles, partly to "blood" inexperienced troops, but mainly to pressure Vietnam in response to events in Kampuchea (Cambodia).

REORGANIZATION AND DEPLOYMENT

At the end of 1986, the CMC reported that "30 units at army corps level and 4,000 units at divisional and regimental level had been disbanded."⁹ Most have been reorganized or absorbed into other units. Resistance (or just confusion) in the PLA's reorganization was seen in continuing references to organizations that were no longer supposed to exist. There continue to be puzzling references to the Second Artillery, which supposedly was absorbed into the new Strategic Rocket Forces in 1984. This may refer to the continued exist-

⁵*Xinhau Domestic Service*, December 26, 1986.

⁶*Xinhau Dom. Sec.*, February 17, 1987.

⁷All of the above is drawn from *Xinhau Dom. Sec.*, February 25, 1987.

⁸*Issues and Studies*, May, 1986, p. 165.

⁹*Jane's*, January 10, 1987, p. 6.

Table 1. Chinese Nuclear Forces

Designation US (PRC)	Number Operational	Propulsion	Range	Remarks
CSS-1 (DF-2)	30	1-stage liquid	1,100+ km	20 kt warhead
CSS-2 (DF-3)	65	1-stage liquid	3,000+ km	1 mt warhead
CSS-3 (DF-4)	5-10	2-stage liquid	7,000+ km	1-3 mt warhead
CSS-4 (DF-5)	2-5	2-stage liquid	12,000+ km	"Long March" 2 and 3 boosters
B6 (H6) Bomber*	100+	2 turbojets	4,800 km	Obsolescent
CSS-NX-3	12	solid	2,800 km	One <i>Xia</i> -class SSBN, possibly operational

*Copy of Soviet Tu-16 BADGER.

Sources: *Military Balance*, 1986-87 and author's estimates.

Table 2. Combat Aircraft of the PLA Air Force and Navy

Designation US (PRC)	Soviet Designation	NATO Designation	Number Operational	Remarks
FIGHTERS				
F4 (J4)	MiG-17F } MiG-17PF }	FRESCO	1,300+	Obsolete.
F5 (J5)				
F6 (J6)	MiG-19	FARMER	3,000	Obsolescent. An unknown number have limited all-weather capability.
F7 (J7) F7M	MiG-21	FISHBED	200 10?	British avionics. Produced only for export.
F8 F8II	— —	FINBACK	30? 2?	Prototype only. Will be upgraded with U.S. avionics.
ATTACK AIRCRAFT				
A5 (Q5)	—	FANTAN	500	PRC development from MiG-19.
A5M	—		2?	Italian avionics. Export only.
B5 (H5)	Il-28	BEAGLE	400 (Air Force) 130 (Navy)	Obsolete. Naval BEAGLE's all modified to be torpedo bombers.
F2 (J2)	MiG-15	FAGOT	50	Obsolete fighter converted for ground attack.
B6 (H6)	Tu-16	BADGER	50 (Navy)	Some armed with C-601 (STYX-type) ASM and attack radar.

Sources: *Military Balance*, 1986-87 and author's estimates.

ence of something called the Second Artillery within a larger structure called the Strategic Rocket Forces. We should note, however, that using an obsolete name for a current organization is fairly common in bureaucracies worldwide, and may not signify an organizational problem.

In September, 1986, *Xinhua* reported that PLA reserve divisions and regiments "have been officially included in the PLA organizational system and given designations and colors." Conventional reserve units have been developing since 1983. They are organized "with soldiers on active duty as their mainstay and

officers and men on reserve [i.e., part-time] duty as their foundation. . . . They can quickly turn into active-duty forces. . . ."¹⁰

The most significant reorganizational effort in 1985–1986 was conversion of all main-force corps into Group Armies (*Jituan Jun*). Like the old corps, Group Armies vary in size and organization. One of the most technically advanced is the former 38th Corps, stationed near Beijing, which is a Mechanized Group Army. According to *Xinhua*:

This Group Army has become a combined force consisting of infantry and artillery units as well as various modernized units such as an armored unit, a signal unit, and a chemical warfare unit, an engineering unit, and an air defense unit, a flight unit [presumably helicopters], and an electronic warfare unit.¹¹

Within this Mechanized Group Army, the percentage of infantrymen has declined to roughly 20 percent of total strength.

Evidently, the Mechanized Group Army is modeled on the Soviet Combined Arms Army. It is unlikely that any PLA Group Army has achieved such extensive integration of arms or is even fully mechanized yet. Such is clearly the intent, however, for there are reports of reorganization along these lines within divisions and even regiments. The mission of the Mechanized Group Armies will be to conduct the "mobile defense" phase of the "People's War under Modern Conditions," confronting mechanized Soviet forces on the battlefield. This capability is still a decade or more away, however, owing to high cost and technical lag.

In the course of the 1-million-man reduction, many high-ranking cadres were removed. The General Staff Department was reportedly "halved." The Military Region consolidation eliminated four MR headquarters and with them the billets for many senior officers. "Some demobilized cadres are believed still to enjoy their former salaries, housing and other perquisites of command."¹² A major problem in the force reduction has been what to do with demobilized soldiers. "Several thousand" PLA cadres were rendered excess in the Beijing MR alone, according to *People's Daily*, and their resettlement will "require two to three years." Many soldiers are attending classes to learn civilian skills. This effort to train people "good at two things" is one way of smoothing the transition to civilian society. It is accompanied by political indoctrination to counter alienation and resistance. The problem is hardly new, for the social and economic impact of

demobilized soldiers has plagued Chinese governments for millennia.

EDUCATION AND TRAINING

Everything from basic training to the education of top-level leaders has been expanded and reorganized. In January, 1986, the new National Defense University (NDU) opened. It combines the former Higher Military and Political Academies and the Logistics Academy, and includes a research department that functions as a defense "think tank." NDU's first students include not only high-ranking military officers but also high-level civilians—the first civilians ever to enroll in a PLA academy. NDU will "enhance the leading official's capacity to make macroscopic political decisions."¹³ The perceived need for this is symptomatic of the passing of the older generation of military-political revolutionary cadres.

In February, 1986, Vice Premier Li Peng told a conference on military schools that the PLA education system must adopt an "open policy" to "assimilate the latest achievements in the world's military science and technology. . . ." Other speakers indicated that "openness" would include taking foreign students into Chinese military schools as well as inviting speakers, and even visiting faculty, from foreign military institutions.¹⁴

Each Group Army is to establish a basic training regiment, which will conduct a standardized four-month basic training program for all new recruits. Promising young recruits will be sent to the new NCO academy prior to joining operational units. This is similar to Soviet practice.

Officer acquisition is being regularized in PLA entry-level officer academies. In 1986, over 9,000 graduates of senior middle schools enrolled in these academies. In addition, 69 civilian colleges now have a system somewhat similar to the American ROTC. Graduates are commissioned in the PLA reserve forces.

The new Combined Arms Tactical Training Center in the Nanjing MR opened in 1986. It appears to be modeled on the American National Training Center at Fort Irwin, California. It includes facilities for heavy weapons firing and electronic warfare training, and supposedly has the capacity to conduct between 10 and 15 division-sized training exercises per year.¹⁵

MILITARY INDUSTRY

Chinese weapons systems and factories are being improved incrementally as technology, capital and qualified personnel become available. Management in

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Harlan W. Jencks is a research associate of the Center for Chinese Studies, University of California, Berkeley. He has written extensively on Chinese military affairs.

¹⁰*Xinhua Dom. Svc.*, September 7, 1986.

¹¹*Xinhua Dom. Svc.*, September 6, 1986.

¹²Robert Delfs in *Far Eastern Economic Review*, January 15, 1987, p. 6.

¹³*Jiefangjun bao*, May 17, 1987.

¹⁴*Wen Wei bao*, February 27, 1986; *Xinhua Dom. Svc.*, February 26, 1986.

¹⁵*Xiandai Junshi*, no. 116 (July, 1986), pp. 10–11; *Jiefangjun bao*, March 13, 1986.

BOOK REVIEWS

ON CHINA

ANVIL OF VICTORY: THE COMMUNIST REVOLUTION IN MANCHURIA (1945-1948). By *Steven I. Levine*. (New York: Columbia University Press, 1987. 314 pages, notes, bibliography and index, \$35.00.)

When the Nationalists lost Manchuria to the forces of the Chinese Communist party (CCP) in the fall of 1948, their fall from power became inevitable. In *Anvil of Victory*, Steven I. Levine attempts to answer the question of why the CCP won the civil war in Manchuria and arrives at some thought-provoking conclusions. Levine argues that to understand the rise to power of the CCP, it is necessary to analyze the nature and role of the CCP in Manchurian society during the Japanese occupation, and to reexamine popular misconceptions of the methods and tactics employed by the CCP during the civil war. Levine rejects the idea that the Communist accession to power came simply as the end result of a populist insurrection; instead, he believes that the Communist victory was the result of a strategy that combined CCP-induced violent agrarian revolution with a strong urban base of operations. *Anvil of Victory* is an informative book and a welcome addition to research on an important era in the Chinese revolution.

R.S.B.

MAINLAND CHINA: POLITICS, ECONOMICS, AND REFORM. Edited by *Yu-ming Shaw*. (Boulder, Colo.: Westview Press, 1986. 664 pages, \$39.50.)

An entry in the Westview Special Studies on China and East Asia series, this monograph is a compilation of papers given at the thirteenth Sino-American Conference held in Taipei, Taiwan, in June, 1984. Topics discussed include current reforms in politics, economics and foreign policy in the People's Republic of China.

R.S.B.

CHRONOLOGY OF THE PEOPLE'S REPUBLIC OF CHINA, 1970-79. By *Peter P. Cheng*. (Metuchen, N.J., and London: Scarecrow Press, Inc., 1986. 621 pages, appendixes, name index and subject index, \$55.00.)

This volume is a continuation of the author's book, *A Chronology of the People's Republic of China from October 1, 1949*, and contains a day-to-day account of events in China from 1970 through 1979 culled from various Chinese and foreign newspapers, journals and official documents. Name and subject indexes facilitate reference to entries.

R.S.B.

CHINA THROUGH THE AGES: HISTORY OF A CIVILIZATION. By *Franz Michael*. (Boulder, Colo.: Westview Press, 1986. 278 pages, notes, bibliography and index, \$14.95, paper; \$33.00, cloth.)

Franz Michael, professor emeritus and former director of the Institute for Sino-Soviet Studies at George Washington University, has spent a lifetime studying Chinese culture and history. His *China Through the Ages* is not just a brief history of a civilization from its prehistoric beginnings to its present-day culture, but an attempt to give readers insight into the heritage and traditions of a unique society.

Michael asserts that to understand the story of China, one has to put aside the tenets of Judeo-Christian tradition and examine the history of China as a self-contained, non-Western story. As the narrative unfolds, underlying themes, such as the relationship between the development of art and literature and the evolution of political, economic, cultural and intellectual institutions and beliefs, tie each segment of the story into a cohesive whole. Well-written and lively, *China Through the Ages* is recommended for readers who would like a general understanding of Chinese culture and for experts looking for a different approach to the interpretation of Chinese history.

R.S.B.

CLASS IN CHINA: STRATIFICATION IN A CLASSLESS SOCIETY. By *Larry M. Wortzel*. (Westport, Conn.: Greenwood Press, Inc., 1987. 171 pages, notes, bibliography and index, \$32.95.)

Official Chinese Communist party (CCP) doctrine states that antagonism among social classes in China has been eliminated because of the dictatorship of the proletariat. Larry Wortzel, however, presents a convincing and well-documented argument that the CCP itself has evolved into the ruling class in modern China. Citing current literature and using Foucault's concept of archaeology to analyze socialist China, Wortzel explains the ways that political interests are expressed in a "classless" society through the party. In a general sense, says Wortzel, the characteristic behavior of this elite structure also explains the articulation of political interests in socialist systems worldwide.

R.S.B.

ERRATUM: In Elizabeth Becker's article in our April, 1987, issue, lines 21 through 24 of the left-hand column of page 156 should read as follows: "the ugly fact remains that the major faction fighting the occupation is the army of the Communist party of Kampuchea, now underground, loyal to and led by Pol Pot." We apologize for the error.

CHINA'S STANDING IN THE DEVELOPING WORLD

(Continued from page 248)

where investments in heavy industry are now higher (officially 32.1 percent in 1985) than during the years of the first Stalinist five year plans.¹⁴

Years ahead of time, bureaucrats in Beijing are still fixing the prices of hundreds of essential commodities, as are their counterparts in the Gosplan (the Soviet State Planning Commission). Thus, both countries have artificially low energy prices, resulting in very low conversion efficiencies and in extraordinarily high energy content of every GNP unit. And when the place names are deleted it is impossible to tell apart the news about chronically unprofitable factories swallowing state subsidies and turning out shoddy products every year—in Hefei or in Krakow.

The inflexibility of central planning and the poor quality of manufactured goods make it difficult for all Communist countries to compete in the world market; hence their integration into the global economy remains at a very low level. Two pairs of politically divided nations best tell the story.¹⁵ China's exports have recently totaled around \$25 billion—slightly less than those of Taiwan, a nation with two percent of China's population and one-sixth of its total GNP. This is hardly surprising when one compares East and West Germany: the former has recently sold about \$20–\$25 billion a year, but the latter around \$180 billion. That the regime makes the difference is all too obvious.

A student of Communist European economic reforms and intellectual ferments can also make inevitable comparisons with China. The rural household responsibility system that has so dramatically improved China's food availability shares its key features with the Hungarian arrangements—and, deep down, even with Lenin's New Economic Program. Giving writers creative "freedom" to expose the past ills of the society and soon afterward charging them with bourgeois liberalist deviations and reminding them of the unshakable leading role of the party is a tragicomedy that has seen many replays in the European Communist nations.

The best illustration of the basic uncertainties and deep doubts about the long-term chances of economic and social reforms in both China and the U.S.S.R. can be found in the repeated assurances by these nations' leaders that there is no other road and that the new ways will continue. If there is no other way, one does not have to be constantly told.¹⁶ China's rural reforms have been much bolder than anything attempted recently by the Soviet Union, but the heavy hand of one-party command and its indecision about how far to set the reform limits still put China definitely closer to the U.S.S.R. than to South Korea.

A UNIQUE SOCIETY

Undoubtedly, international comparisons can fit China into many categories. While most of its people are still subsistence peasants, bookings are being taken to launch United States satellites with Chinese rockets. While its basic preventive medical care and low infant mortality could be a model to most of the poor world, China's shabby educational system greatly needs genuine modernization. And while its suddenly liberated farmers have almost completely solved the worry of feeding one billion people, the stunning inefficiencies of centrally run industries continue largely unabated.

These contradictions are not surprising, given the background of an ancient culture combined with an alien, but in many ways affined, modern political system trying to improve its performance. Communist complaints about the stubborn influence of "feudal" ways are factually correct—but they would be vastly more credible if the regime were not built on different (and sometimes even not so different) prejudices.¹⁷ Consequently, China lives under two handicaps.

When China finally turned as a nation to new ways after 1949, it acquired them through the least flexible and the most dogmatic modernizing precepts of the Stalinist dictatorship. This burdensome heritage has yet to be discarded. A start has been made, but a long, uncertain struggle remains. Much deeper lies the collective experience of millennia when the nation felt superior—and had no incentive to turn itself into a part of the world. To suggest that an irrevocable break with this ancient heritage has been already made would be unwise. If this were the case, Deng would not have to keep reassuring the world that China's open doors (still only ajar, actually) will remain open. That Japan's Prime Minister Yasuhiro Nakasone and Egypt's President Hosni Mubarak do not feel the necessity to issue such assurances best illustrate the peculiarity of the Chinese situation. Three generations after the collapse of the last imperial dynasty, China is still searching for a working arrangement, balancing its onerous heritage and limited physical resources with its huge human potential and bold developmental aspirations. ■

¹⁴Central Statistical Office, *National Economy of the USSR* (Moscow: Finances and Statistics, 1986).

¹⁵United Nations, *International Trade Statistics Yearbook* (New York: United Nations Office, 1986).

¹⁶One could paraphrase Marcus Aurelius (*Meditations* XI:15): "What, do you have to give notice of constancy? It will show soon enough in action."

¹⁷Anybody having illusions about the reformist depth of the current leadership should read Peng Zhen's answers at an April 8, 1987, press conference (*Beijing Review*, April 17, 1987, pp. 14–15), including such state dogmas as "The proletariat can only emancipate itself after the emancipation of all humanity" and "The Communist party acts according to dialectical materialism and historical materialism."

CHINA'S ECONOMY AT THE CROSSROADS

(Continued from page 256)

Consequently, most foreign investors have adopted a wait-and-see attitude.

It has become evident that the current power struggle in the Chinese leadership has cast doubt on the future of China's open-door policy and has shattered the visions of many foreign businessmen, who dreamed in the early 1980's of a bonanza in the Chinese market.

MODERATING THE ECONOMIC GROWTH

Bolstered by agricultural recovery and the high rate of capital investment in the 1978–1986 period, the Chinese economy registered growth rates much higher than it had in the preceding 30 years. In these eight years, the annual growth rate for the gross output value of agriculture and industry averaged 10 percent, and national income grew at a rate of 8.7 percent, compared with 8.2 percent and 6 percent, respectively, between 1949 and 1978. But most of the gains were scored in 1984 and 1985, when the economy experienced another Great Leap Forward.

The delegation of greater discretionary authority to enterprises and local government after 1981 led to a shift of capital investment from central control to local control. During the 1978–1984 period, capital investment outside the state budget grew from 16.7 percent of the total investment to 57 percent. The dispersion of capital funds has caused an overextension of the scale of capital investment. In 1981, the first year of decentralization, some 71,000 construction projects were started, 11,000 more than in the previous years. Of these, 34,000 are duplicates.

In 1982, capital investment rose by 25 percent, resulting in a critical shortage of construction materials. In 1984, capital investment rose another 23.8 percent, far exceeding the state target. The scale of investment was out of control in 1985, when it rose 42.8 percent over the preceding year, the highest since the Great Leap Forward (1958–1960). Many Chinese economists termed the phenomenon "the hunger for investment."¹⁴

The exceedingly high rate of investment, which fueled the high growth rate for national income in these two years, has severely damaged the Chinese economy. The ill effect was summarized by Premier Zhao Ziyang

¹⁴Fang Guangwen, "Correctly Evaluate the 1985 Reform of the Economic Structure," *Guangming ribao* (Beijing), March 22, 1986, p. 3.

¹⁵*Renmin ribao*, March 26, 1986.

¹⁶Lin Zongtang (Vice Minister, State Economic Commission), "Fulfillment of Industrial and Communication Production and Circulation in 1986 and Preliminary Arrangement for the First Half of 1987," *Jingji ribao* (Economic Daily News), January 6, 1987, p. 2.

in his report to the fourth session of the sixth NPC in March, 1986:

Currently, not only the scale of investment tends to be excessive, the investment structure is also irrational, as manifested mainly in the low proportion of energy, transport, communications, raw materials, and other infrastructure, as well as the investment in basic industry. Other manifestations include a high proportion of investment in the ordinary processing industry and construction of a nonproductive nature, as well as the fact that investments for renovation and remodeling activities are insufficient, with a considerable portion of such investments being used for capital construction. Failure to change such an irrational investment structure will result in either an uncontrollable general scale of investments, or the lack of sustaining power to develop the economy.¹⁵

To correct this situation, both the 1986 and 1987 economic plans called for substantial curtailment of capital investment. A decree stipulated that the scale of investment in fixed assets in the 1986–1987 period should be frozen at the 1985 level. But the decree has not been carried out. Capital investment in 1986 still increased by 15.3 percent over 1985. The original plan for 1987 called for a cut in investment across the board by 10 percent, but in the first quarter of 1987, actual investment went up by another 20 percent.

Spurred by the upsurge of capital investment, the industrial growth rate rose by a large margin in 1984 and 1985. The annual growth rate was 7.7 percent in 1982, 10.5 percent in 1983, 14 percent in 1984, and 18 percent in 1985. To cool the overheated economy, a restriction on the credit supply was effected in the second half of 1985. As a result, the industrial growth rate began to decline. It dropped to 4.4 percent in the first quarter of 1986, picked up slowly at a rate of 5.3 percent in the second quarter, and moved upward to 9 percent in the third quarter, with an annual rate of 9.2 percent for the whole year. The goal set for 1987 was a moderate 7 percent, the lowest in five years.¹⁶

Several salient features have emerged in the past few years. First, energy output fell short of demand and became the critical bottleneck of the economy. In 1986, the growth rate of coal output was zero. Output for crude oil increased 4.6 percent and hydroelectric power only 0.9 percent. Consequently, the primary energy supply in 1986 rose only 2.9 percent, far below the 9.2 percent increase in industrial output. Many industrial centers can only operate four days a week because of the critical shortage of electricity.

Second, the output of durable consumer goods showed a phenomenal growth in the past two years. In 1986, China turned out 9 million units of household washing machines and 33 million electric fans, making it the number one producer of these products in the world. The 1986 refrigerator output of 2.85 million units made China the world's sixth largest producer.

Third, within the industrial sector, the ratio between

heavy and light industry showed substantial change. During the 1977–1985 period, the annual growth rate of light industry was 12.6 percent, compared with 9.6 percent for heavy industry. As a result, the relative share of light to heavy industry shifted from 43.7:56.3 in 1976 to 47.7:52.3 in 1986, thus gradually correcting the lopsided development of the preceding 28 years.

Fourth, during the past decade, village industry showed a much more vigorous growth rate than urban industry. There were 820,000 village industrial units in 1985, with an output value of Y137.5 billion, 4.4 times that of 1976. The annual growth rate was 18.5 percent, far exceeding the 11 percent growth rate for the industry as a whole. Consequently, village industry's share in the total industrial output value rose from 7.2 percent in 1976 to 15.7 percent in 1985 and has become a major component of Chinese industry.

Fifth, the rapid growth of industrial output in recent years has been achieved to a certain extent at the expense of quality. Most enterprises pursued high output targets; quality was always neglected. Unsalable products piled up rapidly in warehouses, idling billions in circulating funds. At the end of 1986, the amount of steel products kept in stock nationwide increased by nearly five million tons. Unsalable products turned out by village industries have reached a very high proportion. But the quality of export goods was so poor that the number of cases claiming compensation rapidly grew. More serious was the prevalence of fake medicine and wines, which endangered people's lives.¹⁷ If unsalable products are deducted from the output value, the growth rate of industry can be scaled down considerably.

To mobilize social savings for industrial development, China adopted a series of novel reforms in the financial system. Starting in five cities in 1985, the government allowed interlending among banks to promote the circulation of capital. Several cities have set up short-term money markets and regional financial institutions. Shanghai, China's largest industrial center, has broken the 30-year-old state monopoly over monetary business. The first nongovernment financial enterprise—the Aijian Company—was established in 1986. A variety of specialized banks, insurance companies, trusts, joint-venture leasing companies, and so forth formed a new financial network. But the embryonic capital market has so far dealt only with short-term loans, similar to the money market in the West. There are very few marketable securities and long-term bonds available.

When the concept of changing state enterprises into stockholding companies gained popular support in 1986, the first stock exchange was reopened in Shen-

yang in August, 1986. Shares of companies can be bought by the state, enterprises, and individuals. By March, 1987, some 130 firms in Shenyang had become stockholding companies. Following the Shenyang example, four more stock exchanges were reopened in Shanghai, Beijing, Wuhan and Tianjin. Recent official statistics reveal that there are now more than 5,000 companies throughout China that have issued stocks with a total worth of \$1.6 billion. The share value, however, remains rather small and equals only one percent of the loans in the Chinese banking system in 1986.¹⁸ The reform, nonetheless, represents a great departure from the orthodox Communist ideology that rejects the contribution of capital.

UNCERTAINTIES AND BOTTLENECKS

Five years ago, at the party's twelfth national congress, the newly elected party Secretary General Hu Yaobang put forward an ambitious scheme to quadruple the nation's annual gross output value of agriculture and industry by the end of this century and declared his determination to carry out an economic reform equivalent to a "second revolution." Hu's ouster in early 1987 made a shambles of the entire program. The Chinese economy is now confronted with a series of uncertainties and bottlenecks.

Uncertainties arise from the intensified struggle in China between the reformers and the conservatives on three major issues: (1) how far can the current economic reform go? (2) how wide should the door be opened? and (3) how fast should the economy grow?

Although no one has openly objected to economic reform, there is a lack of consensus on the scope, orientation and procedure. Reformers, represented by Hu Yaobang and Zhao Ziyang, believe that China should borrow successful experiences from various countries, including advanced capitalist states. In his report on the seventh five year plan delivered to the fourth session of the sixth NPC in March, 1986, Zhao openly invited Chinese economists to "boldly explore and seriously study the experiences of various countries including the advanced management experience of the West."¹⁹ But the conservatives deem everything bourgeois poisonous and want the reform to be confined within the framework defined by the "Four Cardinal Principles." The continuous struggle between these two groups creates tremendous confusion among party members and the common people.

Controversy concerning the open-door policy began at its inception in 1979. Proponents contended that without an opening to the outside world, China could not acquire modern technology and foreign capital to carry out the Four Modernizations. Opponents pointed to the limited influx of foreign capital at the expense of self-esteem and national pride. They cited the widespread worship of everything "foreign," the growing distrust for the cause of socialism, and the loss of

¹⁷Ibid.

¹⁸*The New York Times*, April 2, 1987, p. 32.

¹⁹Zhao Ziyang's report to the National People's Congress, March, 1986.

authority of the party leadership as the costs of the open door. In recent months, even the economic merits of the policy have been challenged by the conservatives.

Once a grand objective for the whole country, the program to quadruple the nation's agricultural and industrial output has also been criticized in recent years as unrealistic and the root of the new Great Leap Forward.²⁰ The growing schism on these issues is bound to shatter the people's confidence in all national programs.

In addition to these controversies, the Chinese economy is encountering a series of bottlenecks. The most pressing problems are the critical shortages of energy supplies and transport facilities. While the gross output value of agriculture and industry must be quadrupled, energy supplies can only be doubled. Inadequate traffic capacity has already plagued the entire economy. In recent years, foreign trade has been hampered by harbor congestion, and the output of coal has been seriously constrained by limited transport capacity. No relief from these two problems is in sight.

The Chinese economy is also hamstrung by the rapid drain of the country's financial resources and the continuous dwindling of its cultivated land. The country has incurred a huge budget deficit and trade deficit.²¹ Its foreign exchange reserves have been rapidly depleted and currency value has continuously been depreciated. As the population approaches 1.1 billion, growing at an annual rate of 14 million, cultivated land has been reduced at an annual rate of 20 million *mu* (3.29 million acres), an area equivalent to the farmland in Fujian province. If no emergency measures are taken to halt the shrinking of cultivable land resources, the country's agriculture is headed for disaster.

Limited by capital, energy, transport and farmland, and confronted with uncertainties created by the recent political upheaval, the intermediate outlook for the Chinese economy is certainly not a rosy one. ■

²⁰See the article in *Theoretical Information News* (Beijing), which openly rejected the strategy of quadrupling output value. See also *Peimei Daily* (New York), March 5, 1987, p. 4.

²¹The 1987 budget deficit is officially set at Y8 billion. If state treasury bonds and foreign borrowings are added, the total deficit exceeded Y30 billion.

CHINA'S FOOD POLICY

(Continued from page 260)

attributed to the loss of cultivated acreage to sites for factories, housing, buildings, schools, water conservation projects and highways. The decline is expected to increase unless effective measures are adopted to change the situation. The prospect of increasing the

yield per hectare for both good and poor farmland will therefore depend on the increase in the acreage of irrigated land, better water control, spread of new agricultural techniques, especially high-yield seeds, and greater use of chemical fertilizers.

Controlling the nonagricultural occupation of remaining cultivated acreage is difficult if not impossible. The household responsibility system encourages "specialized households," and these are increasing in number rapidly. These farm families are trying to sell a high percentage of their output to the government, in the market, or to other farm families that have given up agriculture in favor of economic activities like sidelines, services, transport, commerce and rural manufacturing. Each farm family in China is allotted a plot of land for farming. The new system allows families that engage in nonfarming activity to contract their land to neighbors remaining in farm activities. For example, on November 3, 1984, *Renmin ribao* (*People's Daily News*) reported that one-eighth of the rural population of Zhongshan City in Guangdong Province has contracted for 40 percent of the total area of farmland and fishponds in the city. On February 16, 1985, *China Daily* reported that in some brigades in Penglai County, Shandong Province, all the land had been rented out to one or two specialized households.⁹ This trend will continue as more and more families prefer to engage in nonfarming activities to increase their income.

The trends in the decline on farmland acreage, the rapid increase in labor productivity in farming and the increasing surplus farm labor seeking nonfarm activities will invariably lead one to pay attention to China's annual population growth and current population policy. China's population growth rate dropped from the high rate of 3.3 percent in 1963 to 2.1 percent in 1973. The rate dropped to 1.2 percent for 1978, 1979 and 1980 but climbed to 1.4 percent in 1981 and 1982. However, the rate dropped again to 1.15 percent, 1.08 percent and 1.12 percent in 1983, 1984 and 1985, respectively.¹⁰ But causing great concern to the government planners, the rate bounced back to 1.47 percent in 1986. Nevertheless, the population growth rate in the past decade has been much lower than the growth rate of 2.0 to 3.0 percent for most other third world countries. Even the large increase of 14.76 million people in 1986 was lower than the annual population increase in India.

Nevertheless, since the rural economic reform in 1978 there has been a net increase of 102 million Chinese, from 950 million in 1978 to 1.06 billion in 1986, in spite of a strict population policy. But the

⁹Joseph Fewsmith, "Rural Reform in China: Stage Two," *op. cit.*, pp. 52-53.

¹⁰For communiqués on the statistics of economic and social development, 1978-1985, see relevant volumes of *Beijing Review*.

government planners' concern is not only the net increase during 1978–1986 but also the large surplus farm labor that will be released by the rapid transformation of a self-sufficiency farming economy to a commercial farming-industrial-commerce economy in the countryside. The release of surplus farm labor between now and the year 2000 will be several times as great as the net increase in population during 1978–1986.

In the meantime, even if China's strict one-child family population policy helps to contain population to meet the goal of 1.2 billion for the year 2000, there will be a further net population increase of 140 million between the years 1986 and 2000. Chinese leaders are aware of the tremendous task of feeding, housing and providing jobs for this additional population.

The arable land of the United States is more than twice that of China. The farm programs of the United States in the past decades, especially the soil bank program, encourage farmers to reduce the cultivated acreage. Therefore, the size of the arable land in the United States is much larger than its cultivated land; however, in China, nearly all the arable land is already in highly intensive cultivation. Because China has a population about four times that of the United States and an acreage of cultivated land half the size of that of the United States, China's leaders are very much aware of the importance of strict family planning in containing the population to 1.2 billion by the year 2000.

Chinese population experts are very much concerned that the size of the population in the year 2000 may exceed the goal of 1.2 billion. They have discussed several options for population growth. These experts would like to see China's population stationary (zero population growth) in the not too distant future. But they realize that the prerequisite for zero population growth is the achievement of a birthrate at a replacement level. At a replacement level, each couple may have a little more than two children because some women will not have any children. Because of the momentum of population growth, zero population growth will not be achieved as soon as the birthrate is reduced to replacement level; it may take decades. In that period, the population will have surged significantly. The option of allowing two children per couple would result in a population size much greater than 1.2 billion by the year 2000 and a stationary population would not be reached until the middle of the next century, at a population of over 1.6 billion.

The other option is to maintain the one-child policy until the next century, until the population becomes stationary at around 1.3 billion. This option will reach

zero growth much earlier but it will create socioeconomic problems.¹¹ The third option is to continue the one-child policy for the rest of this century. This implies a birthrate 20–30 percent lower than the replacement level. Then, in the early part of the next century, the one-child policy could be replaced by a two-child per family policy. The population would become stationary in the 2030's or 2040's at about 1.4 billion. However, China is now facing a potential baby boom because over 25 million people will reach marriage and child-bearing age as a result of the higher growth rate attained in the 1960's.¹² The crucial policy is to control the birthrate over the next 15 years. Keeping the population to around 1.2 billion by early in the next century will avoid creating the conditions for another baby boom in the future. Therefore, this option is recommended as the best alternative.

The annual population increase in 1985 and 1986 was 11.6 million and 14.76 million, respectively, and the population growth rate was 1.1 percent and 1.47 percent, respectively. The surge in the growth rate and in absolute numbers in 1986 caused Chinese economic planners a great deal of concern. If an annual population increase of 14.76 million continues through the year 2000, the population will reach 1.266 billion, about 66 million (close to the population of Great Britain) more than the target of 1.2 billion. Why did the population growth rate increase to 1.4 percent in 1981 and 1982 after it remained at 1.2 percent during 1978–1980? First, late marriage had been practiced for several decades, and many couples wanted to have their child before it was too late. Second, the new national marriage law in 1981 stipulated that the minimum marriage age for men was 22 and for women, 20. This legal minimum marriage age was 2 to 3 years lower than the marriage age that had been pushed by local authorities. Therefore, large numbers of young couples married and had a child in those two years. Third, during the period of the introduction and spread of the household responsibility system, family planning was not practiced with the same enthusiasm as it had been in the immediate past.

The resurgence of the population growth rate in 1986 was also explained as a result by the prosperity in the countryside, where people who prefer a second child can now afford to pay the financial penalty for breaking the pledge of the one-child contract. There has also been some relaxation in birth control following Western nations' criticism of China's overly strict one-child policy during 1983–1985. The United States cut off the support for the United Nations population programs that assisted China's family planning endeavor. Another reason is that the potential baby boom for 25 million people coming of marriage and child-bearing age is now actually beginning.

Judging from the annual growth rate, China has not achieved the goal of the one-child family in recent

¹¹"Zero Population Growth: The Best Plan," *Beijing Review*, vol. 30, no. 14 (April 6, 1987), pp. 20–21.

¹²"Family-Planning Policy Improves," *Beijing Review*, vol. 29, no. 28 (July 14, 1986), pp. 4–5.

years. Only about 30 million families have only one child today. In 1986, Chinese women still bore 2.4 children (2.2 in 1985).¹³ The one-child policy may be enforced strictly in many urban areas, but the rules are much more flexible for the 80 percent of the population in rural areas. If a rural couple give birth to a girl, the rules will often be waived so that they can try for a boy as a second child. Nor do the rules apply to ethnic minorities.

How will the government respond to the resurgence of births in 1986? Most likely it will try to avoid another crackdown such as occurred during 1983–1985, but it will focus on education and publicity campaigns. The preference of a son over a daughter still holds strong in many rural communities.¹⁴ Without a social security system, a son is the only guarantee of support for peasants in their old age. In recent years, Chinese laws stipulate that children are responsible for the support of their parents in their old age, and married daughters may live in the parents' home. However, with only one child for each family, ultimately one set of parents will have to live alone. The remedy is the more rapid spread of the old-age social security system and homes for old people in rural areas.

Finally, a modification of the one-child family policy may be considered. A study by John Bongaarts and Susan Greenhalgh found that a strictly enforced stop-at-two-children policy,¹⁵ combined with later marriage and longer spaces of time between the first and second born, would also hold the Chinese population below 1.2 billion in 2000. In addition, a modified policy may cause fewer social and economic problems. Because of the large size of the present Chinese population, the large increase in population and surplus farm labor in the near future, and the continuous decline in cultivated acreage, the answer may be a successful combination of rapid growth in nonfarm activities, a sustained increase in the yield of farm products per hectare, and more innovations in China's family planning policy. Although initially they may generate new problems, both stages of rural economic reform may ultimately provide China with a greater ability to deal with these problems in the long run. ■

¹³Nicholas D. Kristof, "China's Birth Rate on Rise Again as Official Sanctions Are Ignored," *The New York Times* (April 21, 1987), p. A8.

¹⁴Fred Arnold and Liu Zhaoxiang, "Sex Preference, Fertility, and Family Planning in China," *Population and Development Review*, vol. 12, no. 2 (June, 1986), pp. 221–246.

¹⁵John Bongaarts and Susan Greenhalgh, "An Alternative to the One-Child Policy in China," *Population and Development Review*, vol. 11, no. 4 (December, 1985), pp. 585–617; Arthur P. Wolf, "The Preeminent Role of Government Intervention in China's Family Revolution," *Population and Development Review*, vol. 12, no. 1 (March, 1986), pp. 101–116; Etsuzo Onoue, "Agricultural Performance in 1986 and Prospects for 1987," *China Newsletter*, no. 67 (March/April, 1987), pp. 6–9.

DEFENDING CHINA IN 1987

(Continued from page 269)

military factories is supposed to be reorganized according to the "responsibility system."

Military-industrial production facilities have been underutilized over the decades, sometimes running at 10–20 percent of capacity. Reorganization has been partly intended to put military plants and laboratories to work providing research, development and production for civilian use (tractors from tank factories, for example) or for export. Despite high-level emphasis on the priority of civilian production, there has been considerable resistance. Stepped-up military production for export is clearly more prestigious and profitable.¹⁶

Since 1984, China has unveiled "new" weapons systems, which are mostly incremental improvements on Soviet designs. A few, however, are new, often incorporating Western technology. The very best and latest weaponry is made for export, and is not used to any significant degree by the PLA. Instead, profits and technical expertise are plowed back into building a modern, self-sufficient defense industry for the future.

China has emerged as a major arms exporter, ranking fifth in the world (behind the United States, the Soviet Union, Britain and France). The major customers for Chinese arms since 1981 have been Iraq and Iran. China is said to be the principal arms supplier to both sides in the Middle East war. One Chinese official claimed that NORINCO, the export arm of the Ordnance Ministry, was China's fifth leading exporter in 1985, with sales of U.S. \$1.5 billion.¹⁷ Other ministries' sales, including ships and aircraft, would expand the total further.

Many countries in Africa and the Middle East have purchased Chinese weapons over the past decade. An interesting development in 1986–1987 was the delivery of a dozen 130 mm guns and 50 type-59 tanks to Thailand. This was primarily a political action, but the Chinese also hope to extend their arms sales into Southeast Asia. Faced with the region's traditional suspicion of China, they have had little success so far.

In 1984, Chinese defense industries began exhibiting their wares at international exhibitions. They have also hosted several exhibitions, beginning in July, 1983. During 1986, they hosted an international defense equipment exhibit in Beijing in January–February and a United States aerospace exhibition in May. In November, they hosted the ASIANDX'86 exhibition in Beijing. While ASIANDX'86 was intended to encourage the foreign purchase of Chinese military

¹⁶"Zhang Aiping on Shift in Military Industrial Production Strategy," *Renmin ribao*, July 20, 1986, p. 1.

¹⁷*Wen Wei bao*, May 7, 1986.

equipment, an equally important objective was to facilitate technology imports.

After extended negotiations, the United States government agreed in principle to allow the sale of arms and arms technologies to China in four defensive "mission areas": antitank, air defense, antisubmarine warfare, and field artillery. In 1986, the first actual export of lethal American military technology to China occurred, with an agreement for technical assistance in large-caliber artillery shell production. Although the Chinese and the Americans have been negotiating arms deals for about five years, very few have been reached, mainly for economic reasons.

NUCLEAR FORCES

Nuclear force development continues, with emphasis on the nuclear submarine (SSBN) program and improved guidance, target acquisition, command-control-communications (C³), and survivability (see table 1). A handful of long-range CSS-3 and CSS-4 missiles are deployed in isolated mountain valleys and caves or concrete silos located in Qinghai, Tibet and Sichuan. This dispersion and concealment, plus the mobility of the shorter-range missiles, would make a Soviet "first strike" very chancy. However, these are all relatively primitive missiles that require hours to prepare for firing. They must be defueled after a limited period of launch readiness, and are vulnerable to attack (conventional as well as nuclear) once launch preparations begin. This situation might present decision makers in Beijing with the terrible dilemma of "use it or lose it" if conventional land or air attacks threatened to destroy the missiles before a Soviet nuclear attack occurred. Partly to increase control in a crisis situation, the PLA has built a nationwide satellite communication system backed up by cable and possibly microwave.¹⁸

The Chinese have now developed a fairly reliable solid-fuel missile, the CSS-NX-3. It can be launched from the *Xia*-class SSBN or, conceivably, from a mobile, land-based launcher. In either case, mobility would add to survivability.¹⁹ The CSS-4 has two space-booster variants, the "Long March" 2 and 3, which are offered on the international market for launch services. Several foreign firms, attracted by low Chinese prices, have reportedly signed launch contracts. The Shanghai Astronautics Bureau has begun commercial "Long March" 3 production.

Multiple independently targeted reentry vehicles (MIRV's) and tactical nuclear weapons are thought

to be in the advanced stages of development, but reliable evidence is lacking.

AIR FORCES

At medium and high altitudes, Chinese early-warning radar has large gaps, while below 5,000 feet the coverage is nil. About 100 surface-to-air missile (SAM) sites protect major industrial and political centers with copies of the obsolescent Soviet SA-2 GUIDELINE. There are also some 10,000 antiaircraft guns, some of which are radar-controlled. All Chinese radars and the SA-2 are vulnerable to electronic countermeasures (ECM). In 1986, however, the Chinese unveiled 22 new radar and electronics systems, mostly for air defense.²⁰

Until very recently, PLA ground and naval formations have lacked tactical SAM's and modern anti-aircraft guns, but two tactical SAM's appeared in 1984-1986. The HQ-61 is a Chinese design and is now operational on the Navy's two *Jiangdong*-class frigates. A truck-mounted variant is offered for export and may be in limited production for the PLA. The HN-5 is a copy of the Soviet SA-7 GRAIL, which has a slant range of over 3 kilometers. It is available in either a man-portable version or in an eight-tube, truck-mounted, radar-assisted version. Both are for export sale and may now be in PLA service.

Nearly all the 4,600 or so fighter-interceptors of the PLA Air Force and the PLA Naval Air Force are effective only in daylight and good weather (table 2). Since they are tightly controlled by ground controllers, Chinese fighters are further limited by inadequate radar coverage and the vulnerability of radar and communications to ECM. The Chinese have installed a British avionics package in the F7, the Chinese copy of the Soviet MiG-21. The resulting interceptor, called the F7M "Airguard," has reportedly been sold to Iran, Iraq, Pakistan and Brazil. Chinese arms dealers claim that five F7M's can be purchased and operated for the price of one American F-16. Two new air-to-air missiles derived from the Soviet Atoll are reportedly in service and are for sale. There is also an export version of the A5 FANTAN, with Italian avionics.

After over a decade of development, the Chinese Air Force unveiled the F8 FINBACK fighter in 1984. Technically, it is primitive and apparently little more than a Chinese version of an early 1960's Soviet prototype. A modified version, the F8II, was unveiled in 1986. The Chinese hope to update the F8II with American avionics under a contract finalized in late 1986. The Chinese say they "will try our best to arm the Chinese Air Force with F8II aircraft around the year 2000." Meanwhile, they are already discussing a further upgraded export variant.

Though now substantially reduced, PLA ground forces still include over 2 million men and perhaps

¹⁸"The Army of China Basically Completes Building of an Electronic Communications Network," *Zhongguo Xinwen She*, February 18, 1987; *Nanjing Jiangsu Provincial Service*, February 16, 1987.

¹⁹"Record Breaking Trial for China's 'Xia,'" *Jane's*, January 17, 1987, p. 54.

²⁰*Jane's*, October 25, 1986, p. 947.

Table 3. PLA Manpower (early 1987)

Ground Forces:		2,100,000
Main Force	1,600,000	
Regional Force	500,000	
Navy		350,000
Air Force		490,000
Strategic Missile, Headquarters, and Miscellaneous		110,000
TOTAL		3,050,000

Sources: *Military Balance*, 1986-87 and author's estimates.

12,000 tanks organized in some 100 main-force divisions, plus local forces (table 3). These ground forces have glaring vulnerabilities in antitank (AT) defense, air defense, chemical-biological defense and logistics, to name a few.

Table 4. PLA Navy Warships

Type	Number Operational	Principal Armament
Destroyers*†	15	STYX missiles, assorted guns (100-130 mm)
Frigates*†	25	STYX, Guns
	2	SAM, Guns
	5	Guns
Patrol and Large Escorts*	90+	Guns
Fast Attack Craft†	232	STYX
	355	Guns
	190	Torpedoes
Submarines (diesel)	112	Torpedoes
	1	C-801
Submarines (nuclear)	3?	Torpedoes
	1	SLBM

*Various types of antisubmarine warfare gear on these types.

†At least one of each class armed with C-801 instead of STYX.

Sources: *Military Balance*, 1986-87 and author's estimates.

Since 1984, the Chinese have unveiled a plethora of new ground forces equipment, from pistols to self-propelled artillery pieces, which are mostly incremental improvements of older foreign (mainly Soviet) designs. The extensive collection of small arms unveiled at ASIANDX'86 included a few technical departures. There were a six-barrel 23 mm weapon resembling the American Vulcan, a copy of the M-16 rifle, and a 9 mm submachine gun based on a Polish design. Other small arms used standard Soviet cartridges. In 1984, the Red Arrow-8, a tube-launched, optically

tracked and wire-guided AT missile system, appeared. Vaguely resembling the European MILAN system, the Red Arrow-8 reputedly has a range of 3,000 meters. It is offered for export, along with maintenance equipment and a training simulator.

NORINCO is offering a variety of infantry vehicles. These include a modified Soviet BTR-50, a copy of the BMP-1, and several versions of the WZ551 wheeled APC (which resembles the French VAB). In addition, there are numerous variations on the Chinese Type-531 personnel carrier, including the NVH-1, a joint venture with Vickers of Britain. A variant on the BMP-1, the NFV-1, includes a turret by the American FMC Corporation. Both the NFV-1 and the NVH-1 feature a McDonald-Douglas 25 mm chain gun.

The Chinese have already sold several hundred type-69 tanks in the Middle East. There are several versions of this tank, but the most spectacular appeared in the 1984 National Day parade. Featuring a thermal-sleeved 105 mm gun, the tank bears the unmistakable stamp of Israeli engineering. Israel is reportedly supplying the guns, fire-control and night-vision equipment for tanks, as well as communication gear and naval equipment. "Hundreds of Israelis, including army generals, have been working in China on officially sanctioned projects" since 1980.²¹

In addition to new copies of Soviet artillery pieces, several new Chinese guns are now available. The type-83 152 mm self-propelled howitzer mounts a copy of a Soviet gun on a Chinese-tracked chassis. Even more impressive is the 155 mm WAC-21, nearly identical to an Austrian design. The WAC-21 has an associated fire-control computer that can supposedly handle up to three batteries of six guns each. The Chinese decision to adopt the Western 155 mm caliber may have far-reaching consequences, especially because the Chinese can manufacture extended-range ammunition. The WAC-21 claims an impressive 39 km range. NORINCO's ability to sell both guns and ammunition at low cost will likely win it a substantial market.

It is not clear just how these artillery developments are related to the 1986 American artillery shell deal. The situation emphasizes the fact that the Chinese are dealing with multiple sources of foreign military technology—American, Austrian, German, Israeli, Italian, French, British—effectively playing them against one another and keeping them at least partially in the dark about the overall extent of foreign involvement in China's defense industry. The Chinese have been evaluating French, German and American helicopters and tactics for the antitank role. In April, 1987, China purchased eight Gazelle helicopters from France, along with HOT AT missiles.

China's road network is still sparse, so there has been little emphasis on military truck production until recently. China has license-produced French, Czech, Romanian, and United States designs, in addition to

²¹Yossi Melman and Ruth Sinai, "Israeli-Chinese Relations and Their Future Prospects," *Asian Survey*, no. 4 (April, 1987), pp. 403-404. On Chinese tanks and subsystems, see *Jane's*, February 8, 1986, pp. 205-207, and March 21, 1987, pp. 500-503.

many Soviet types. Because China's domestic sector needs far more trucks than it can produce, however, the PLA will probably have to commandeer them in a major crisis.²²

The crucial question concerning all this new and not-so-new equipment is, "does the PLA use it?" In general, the answer is "no." Little new equipment appears in photos of PLA forces. Apparently, most of it is for export, plus token Chinese parade units.

NAVAL FORCES

While the navy remains primarily a coastal defense force, the Indian Ocean voyage highlights the recent development of a modest "blue water" capability. Eighty coastal and auxiliary vehicles were actually deactivated during 1986, while the force of *Jianghu*-class frigates grew to 22 (see table 4). A new destroyer class is said to be under development. Two specially modified *Jianghu* frigates were sold to Egypt in 1984–1985, and two new variants are being fitted out in China. The latter are reportedly powered by Chinese-built Pielstick diesel engines made under French license. One variant has a helicopter flight deck, which will probably handle the Z9 helicopter—a Chinese license-built SA365 Dauphin II. On the other variant, the STYX/SILKWORM missile launchers have been replaced by eight C-801 launchers.

The C-801 is a Chinese version of the French Exocet supersonic antiship cruise missile. It was first revealed in 1984, and it is still unclear whether the design was "pirated" or purchased. C-801 launchers have been reported on at least one *Lüda*-class destroyer, an *Osa*-class attack boat and an experimental submarine. The C-801 can reportedly be air- or ground-launched, as well.

China's coastal defenses continue to rely heavily on old diesel-electric submarines—mostly copies of the Soviet *Romeo* class, armed with unguided torpedoes. There are supposedly three *Han*-class nuclear attack submarines as well. Both types have serious shortcomings, although the *Han*-class submarines have reportedly been fitted with French sonars. The navy plans to modernize at least two-thirds of the *Romeo*-class submarines, while acquiring a new diesel-electric and a new nuclear attack submarine by 1991. The new *Wuhan* class, called "ES5G" in China, is a *Romeo*, converted to surface-launch six C-801 missiles. To reequip their submarines, the Chinese are seeking English, Italian, French, Dutch and American bids for sonars, radars, communications, targeting, data processing, propulsion plant, batteries, periscopes,

"snort" masks and weapons-handling equipment, as well as systems management and training.²³

The navy's top priority is antisubmarine warfare (ASW), long its Achilles heel. The new frigates are intended for ASW missions, as are the various Western helicopter types acquired over the past few years. China now produces the Z9, the Z8 (a copy of the Super Frelon SA-321) and "at least three ASW packages (including dipping sonar)" for them. They are negotiating with the United States for the Mark-46 ASW torpedo.²⁴

Antisurface ship weapons include the ground-launched STYX/SILKWORM and a possibly ground-launched C-801. The SILKWORM has a 450 kg warhead, a rocket booster, and a jet cruise engine. It reaches a range of 80–95 km at subsonic speed, cruising at about 30 m altitude. There are three guidance variants whose vulnerability to ECM is uncertain. The navy has also recently deployed a new version of the venerable B6 (Tu-16) bomber, the B6D, which carries a C-601 (STYX/SILKWORM variant) under each wing, and has newly developed radar, targeting and navigation systems. There are also reports that the A5 attack plane carries the C-801.

In conclusion, national defense still has the lowest priority of the Four Modernizations, but much relatively inexpensive defense modernization has been achieved. Due to the changes in defense ideology in the 1980's, China has emerged as a major arms and weapons systems exporter. In the long run, it will benefit from the technology acquisition associated with manufacturing these systems. But for the time being it must be frustrating to serve in an army that is 15 to 25 years behind the times, while reasonably modern weapons are being exported. ■

POLITICAL REFORM

(Continued from page 265)

case of errant cadres, even while noting the distaste the term aroused in many victims of Cultural Revolution excesses.²⁰ Similarly, press commentary and conservative leaders urged a return to mandatory physical labor for students, in part on the grounds that "experience with real life" would help them "to understand China and keep a correct political orientation."²¹ While such practices were in disrepute because of their tarnished association with the Cultural Revolution, "correcting the mistakes of the Cultural Revolution does not mean negating correct approaches such as integrating theory with practice, intellectuals with workers and farmers, and education with productive labor."²²

²²Gordon Jacobs, "China's Vehicle Industry," *Jane's*, November 8, 1986, pp. 1121–1124.

²³*Jane's*, February 28, 1987, p. 343, and May 16, 1987, p. 945.

²⁴P. D. Jones and J. V. P. Goldrick, "Far Eastern Navies," *U.S. Naval Institute Proceedings*, March, 1987, p. 66.

²⁰"It Is Still Necessary to Talk about Ideological Remoulding," *Jiefangjun bao* (March 24, 1987).

²¹*Beijing Review*, vol. 30 (February 23, 1987), p. 18.

²²An Zhiquo, "What Students Can Learn from Reality," *Beijing Review*, vol. 30, no. 15 (April 13, 1987), pp. 84–85.

By early 1987, it was precisely this combination of conservative themes, the purge of dissident intellectuals, the media crackdown, the increased prominence of conservative leaders and the reported delays in completing economic reform legislation that led many analysts to write with alarm about the possibility that a conservative resurgence might imperil the reform drive.

By the summer of 1987, however, much of this fear had been dispelled. With Deng's strong backing, the party leadership agreed to set sharp limits on the struggle against bourgeois liberalization. In Central Committee Document Number 4 issued in late January, 1987, seven principles were set forth governing the campaign.²³ Three of these directives centered on assuring its implementation, calling on party committees at all levels to "firmly grasp" the importance of the work and calling on the media to uphold the correct line. The remaining principles firmly delimited the scope of the drive.

First, the locus of efforts to extirpate bourgeois values was to be within the party, where the main effort was to correct problems of general political orientation.

Further, the conduct of the drive in the wider society was to consist of "positive education," designed to build consensus; whatever criticism of heterodox views was made had to be "gentle and mild." Above all, the previous "movement" style of politics was to be eschewed firmly; any criticism of individuals by name had to have prior Central Committee authorization. In addition, the injunction to the media to uphold the correct political direction and propagate the party's principles implied the obligation to continue to advocate reform.

The essence of the compromise arrived at in early 1987 is embodied in Premier Zhao Ziyang's *Work Report*, presented to the National People's Congress in March, 1987. Zhao noted that the essential precondition for modernization was political stability, and the cornerstone of all the party's policies since 1978 was on the one hand to uphold the four cardinal principles and on the other hand to continue the reform effort. China's huge population, its poverty, the numerous difficulties and contradictions accompanying its modernization drive all made a "stable political and social environment" imperative. Equally, however, stability required not allowing a return to movement-style politics.

In support of continued reform, the press has prominently featured injunctions to continue experimentation, warning that even the more daring and controversial reforms like the privatization of firms and stock markets "should not be misconstrued as bourgeois liberalization," nor should importing tech-

nology from abroad "be considered as all-out Westernization." "We should make it clear that enterprises that separate ownership and management" are not "capitalist" and ensure that "no one be permitted to use opposition to bourgeois liberalization to reject or suppress workers' criticism."²⁴ In addition, creativity in the arts and free debate in the academic realm were to continue under the still-operative slogan of "let 100 flowers bloom."

PROSPECTS FOR POLITICAL REFORM

It seems clear from the events of recent months that the liberal wing of the reform coalition remains in control of the policy agenda, a fact evident in the resentment of some in conservative circles that the restrictions on the ideological purification drive amount to "pouring cold water" on the struggle. Both Zhao's and Deng's repeated assertions that political reform remain a priority and that promoting "stability and unity" in fact require "political restructuring" are evidence of the continued commitment to reform.

What that reform will look like in practice is more uncertain. There seems little doubt that the minimum agenda of legal reform and organizational rationalization will continue unabated. The commitment to extend local and workplace democracy also seems likely to be sustained. But in the short run, limits of reform have once again been underlined by events, which have made clear the difficulties of negotiating the transition to more genuinely plural politics.

For partisans of reform, several factors occasion optimism. One is the continued vitality of the economic reform and its attendant social changes, which create new opportunities and values outside the ambit of the state. A second factor is the evident confidence and assertiveness of many citizens in articulating both their views and interests and their willingness to use the opportunities afforded by the reforms to push for further progress. This new confidence is in part testimony to building up trust in the current leadership, but is also reflective of a new political maturity.

Whether these changes will lead to more rapid and far-reaching reform remains problematic. Most Chinese remain apolitical in the aftermath of the Cultural Revolution and most place a premium on stability as well. Even among students, nationalistic values and a sense of the urgency of modernization limit the popularity of restructuring reforms. Certainly in the absence of democratizing pressures from below, few fundamental changes can be expected.

On the other hand, growing inequalities and the growing openness of public debate and expression should mean an increase in interest-based politics, which usually finds expression in constituency pressures for increased access and influence. Two developments of significance offer some basis for expecting continued liberalization. The first is the slow rooting

²³Chang Chieh-feng, "Documents Nos. 2-6 Reveal Current Situation," *Pai Hsing* (Hong Kong), no. 138 (February 16, 1987).

²⁴*Gongren ribao*, February 28, 1987.

of more civil and humane norms of political contention, evident in the mild treatment of both errant party leaders and dissenting intellectuals. Hu Yaobang's continued role in party circles and Fang Lizhi's continued activism in scientific forums are symptomatic of this change, which almost certainly is more than cosmetic. The second is the growth of a limited degree of institutional pluralism. The emergence of the National People's Congress (NPC) and its standing committee as an occasionally obstructive force is suggestive of this change. Outside analysts have seen the NPC as a base of conservative power; however, seen from the vantage point of policy process rather than substance, this institutional diffusion of power is surely a healthy development. It suggests that whatever the factional and structural limits to reform, there is an independent dynamic at work propelling reform forward along an inevitably uncertain course. ■

SCIENCE AND TECHNOLOGY

(Continued from page 252)

Resistance to this element of the reform program has been widespread because of several key factors. First, political cadres fear that they will be displaced by scientific and technical personnel. Party officials have felt insecure in granting these individuals more authority and independence, especially since they threaten the party's own claims to be the main purveyor of truth and knowledge. In addition, jealousy has emerged as some individuals can and have used their expertise to earn added income.

Also there is a concern that individuals will use existing resources and know-how to benefit themselves and ignore the larger needs of their unit or community. And finally, along with the prospects of greater mobility, fears about "personnel raiding" have emerged. Institute directors, particularly those in remote areas, are concerned about losing their best talent to "recruiters" from the coastal areas who may try to entice key individuals to change jobs.

OTHER PROBLEMS

The reform program also includes other problem areas. First, the issue of foreign technology imports continues to be a high priority. Generally speaking, the Chinese have decided to deemphasize the acquisition of whole plants and equipment and focus their attention on the software side of technology imports. The desire to draw from the global bank of technology, however, must be examined from the perspective of a growing debate within China among those who have immediate needs for equipment and therefore want to import items like integrated circuits and those who seek to strengthen indigenous scientific capabilities and are willing to forgo many purchases from abroad. In the area of electronic components and television sets, for example, steps have already been taken

to introduce protectionist methods to deter large-scale imports.

As in the past, the basic framework of the technology import program has been laid out in a list of 3,000 key items designated by the State Economic Commission for purchase during 1986-1988. While all technology imports are not confined to this 3,000-item list, the list appears to contain the priority items.

More significant, however, are the serious problems that China has apparently experienced in its efforts to acquire and assimilate foreign knowledge and equipment. The most serious problem has to do with the excessive duplication of technology and equipment imports. One area where the problem has been extensive has been the import of color television production lines. Estimates suggest that China has imported over 100 color television lines, giving China a production capacity far exceeding projected demand. The severity of the duplication problem is exacerbated by the jurisdictional sensitivities of units that belong to different administrative hierarchies.

Even though technology imports have drastically increased since 1978, a technology import information management system has not been created, thus precluding the exchange of information and data among potential buyers.

Another issue deals with the effort to promote closer ties between the military and civilian sectors. Until the early 1980's, the relationship between China's military and civilian research and development (R&D) sectors had been highly compartmented. And, while CAS institutes and several key universities had frequently been asked to participate in defense-related projects, the same could not be said for military R&D institutes with respect to most large civilian projects. Under the reforms, military units have been instructed to use their superior resources and more extensive experience in dealing with technology to help solve civilian problems. A specialized newspaper entitled *Jungong Jishu Zhuan Minyong Xinsi bao* (information news on transferring military industrial technology to the civilian sector) was established in March, 1985. The first military-civilian technology fair resulted in 3,275 contracts with a value of about Y1.12 billion (US\$350 million). In essence, the Chinese appear anxious to build a "military-industrial complex" modeled after the American model.

One of the most interesting developments from the perspective of this double-edged strategy is the emergence of what have come to be called "research-production" alliances (*lianheti*). In some cases, they involve the molding of research units, design units and production enterprises into a single working entity. The gap between research and production is bridged as new product or design possibilities are addressed. According to *People's Daily*, by the end of 1985, nearly

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FOUR MONTHS IN REVIEW

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APRIL, 1987

INTERNATIONAL

Arms Control

(See also *U.S.S.R.*; *U.S.*, *Foreign Policy*)

April 23—In Geneva, U.S. and Soviet negotiators resume talks on removing intermediate-range nuclear missiles from Europe.

Middle East

April 26—At the end of the final session of the Palestine National Conference in Algiers, Palestine Liberation Organization (PLO) chairman Yasir Arafat says that the feuding PLO factions have become reconciled.

United Nations (UN)

April 9—A Security Council resolution banning all trade and ties with South Africa is vetoed by the U.S. and Great Britain.

April 30—In Geneva, the UN Environmental Protection Program, which is sponsoring a 31-nation meeting in Geneva, says that the meeting has agreed in principle to freeze and reduce the use of those chemicals that cause destruction of the earth's ozone.

AFGHANISTAN

April 27—The government celebrates its 9th anniversary with a celebration in Kabul and rhetorical attacks on what it calls U.S. and Pakistani interference in the Afghan war.

ALGERIA

(See *Intl.*, *Middle East*; *Egypt*)

ANGOLA

(See *U.S.*, *Foreign Policy*)

ARGENTINA

April 19—President Raúl Alfonsín persuades rebelling army officers at a base north of Buenos Aires to surrender; the soldiers began their 4-day mutiny to protest human rights violations against soldiers.

April 20—Alfonsín accepts today's resignation of army Chief of Staff General Héctor Ríos Ereñe and names General José Caridi to take his place.

AUSTRIA

(See also *U.S.*, *Foreign Policy*)

April 27—The government recalls its ambassador to the U.S. immediately after the U.S. announces that it is placing President Kurt Waldheim on a list of people who are not allowed to enter the U.S.

April 28—Waldheim says he finds the U.S. order "dismaying and incomprehensible"; he says he has a "clear conscience" about his wartime role.

BRAZIL

April 26—Finance Minister Dilson Funaro resigns; Funaro, who orchestrated Brazil's decision to suspend some interest payments on its \$90-billion foreign debt, was criticized recently for his management of the domestic economy.

April 28—President José Sarney names Luiz Carlos Bresser Pereira as finance minister.

CANADA

April 5—Prime Minister Brian Mulroney criticizes visiting U.S. President Ronald Reagan's proposal to spend \$2.5 billion for research on acid rain; he says the U.S. must act and not just study the problem.

CHAD

April 2—Government officials in Ndjamena report that the U.S. and France are providing intelligence information on Libyan troops in northern Chad.

CHILE

April 1—Pope John Paul II arrives for a pastoral visit that includes a stop in Argentina.

CHINA

(See also *U.S.S.R.*)

April 11—At the close of the National People's Congress, the government announces that it has replaced Public Security Minister Ruan Chongwu, an associate of ousted party Secretary General Hu Yaobang; Ruan's replacement is Wang Fang.

CZECHOSLOVAKIA

(See *U.S.S.R.*)

DOMINICAN REPUBLIC

April 30—Former President Jorge Blanco enters the Venezuelan embassy in Santo Domingo and asks for political asylum in order to avoid arrest on charges of corruption.

EGYPT

April 1—It is reported that the government has renegotiated \$3 billion in military debt with the Soviet Union; the new terms postpone repayment for 25 years.

April 7—President Hosni Mubarak's Democratic party retains its majority in the People's Assembly, according to results from yesterday's legislative elections.

April 27—The government shuts down PLO offices in Cairo and Alexandria to protest a Palestine National Council resolution that Egypt abnegate the 1979 Israeli-Egyptian peace treaty.

EL SALVADOR

April 25—The *New York Times* reports that President José Napoleón Duarte has written U.S. President Ronald Reagan, asking him to grant temporary refuge to Salvadoran refugees in the U.S.; Duarte says return of the estimated 400,000 to 600,000 Salvadorans living in the U.S. would create economic hardship for El Salvador.

FRANCE

(See also *U.S.S.R.*)

April 9—Parliament approves a 5-year, \$78-billion program to modernize the French military.

GERMANY, WEST(See *Israel*)**GREECE**

April 3—Parliament votes to take over large estates held by the Greek Orthodox Church; the legislation, which was initiated by Socialist party Prime Minister Andreas Papandreu, turns the land over to economically depressed agricultural cooperatives.

April 25—The November 17 terrorist group claims responsibility for the bombing yesterday of a bus carrying U.S. soldiers; 16 American soldiers and dependents and 2 Greeks were wounded in the blast.

ICELAND

April 26—Prime Minister Steingrímur Hermannsson concedes that his Progressive party lost the April 25 general election. A center-left feminist party, the Women's Alliance, wins 10 percent of the vote and will take part in any governing coalition.

April 28—Prime Minister Hermannsson resigns.

INDIA

April 12—Prime Minister Rajiv Gandhi asks for the resignation of Defense Minister Vishwanath Pratap Singh; Singh began an investigation of kickbacks from West German arms dealers to members of Gandhi's Congress (I) party without Gandhi's consent.

April 25—It is reported that this week the government asked several Sri Lankan Tamil separatist guerrilla leaders to negotiate a settlement with the Sri Lankan government; the Tamils refused, saying they would not hold talks until government attacks on guerrilla bases ended.

INDONESIA

April 23—Unofficial results from today's legislative elections show that President Suharto and his ruling Golkar party have won 80 percent of the vote.

ISRAEL

April 1—Government officials say that the Soviet Union has agreed to exchange consular officials; the Soviet Union has not confirmed the agreement, which would be the 1st step toward restoration of diplomatic relations between the 2 countries.

April 6—President Chaim Herzog begins the 1st visit by an Israeli head of state to West Germany.

April 9—Foreign Minister Yitzhak Shamir ends 3 days of talks in the Soviet Union.

April 12—Government troops bulldoze part of an Arab-owned orchard on the occupied West Bank in retaliation for the firebombing of a car yesterday that killed an Israeli woman.

April 19—Israeli soldiers kill 3 Palestinian guerrillas who had infiltrated into northern Israel; 2 Israelis are killed in the gun battle.

ITALY

April 8—Prime Minister Bettino Craxi's caretaker government falls when Christian Democrats withdraw to protest a Socialist party proposal for a referendum on nuclear energy.

April 18—Amintore Fanfani, a Christian Democrat, is sworn in as caretaker Prime Minister; he heads Italy's 46th post-war government.

April 28—President Francesco Cossiga dissolves Parliament; he orders general elections by June 14. Prime Minister Bettino Craxi resigned on March 3.

JAPAN(See also *U.S., Foreign Policy*)

April 23—Prime Minister Yasuhiro Nakasone is forced to withdraw plans for a new sales tax because of parliamentary opposition; opposition party members had blocked a vote on the \$380-billion 1987 fiscal budget until Nakasone dropped the tax plan.

April 30—On a visit to Washington, D.C., Prime Minister Nakasone tells U.S. President Reagan that the Bank of Japan is lowering its interest rates, which will help the U.S. in its attempt to stabilize the international exchange value of the dollar.

KOREA, SOUTH

April 12—President Chun Doo Hwan announces that he is breaking off all discussions about direct elections for President in next February's election; he says the new President will be chosen indirectly, through an electoral college.

Police do not allow any visitors or family members to reach opposition leader Kim Dae Jung, who has been under house arrest for 1 week.

April 18—Two members of the National Assembly are jailed after a court convicts them of inciting students to riot; the court says the 2 men's criticism of the government in September, 1985, led students to riot at Korea University.

KUWAIT(See *U.S.S.R.*)**LIBYA**

April 12—In an interview with *The New York Times*, Libyan leader Muammar Qaddafi says the U.S. should look for ways to reach a "rapprochement" with Libya since the U.S. has failed in its attempts "to assassinate me."

MALAYSIA

April 25—In a vote today, Prime Minister Mahathir Mohammad maintains control of the Supreme Council of his United Malays National Organization, the policymaking body for the party and the country; the vote follows Mahathir's slim victory in yesterday's election for the party presidency.

NICARAGUA(See also *U.S., Foreign Policy, Political Scandal*)

April 28—An American volunteer working in northern Nicaragua is killed in an ambush by the contras; 2 other workers and a militiaman are also killed.

PAKISTAN(See *U.S., Foreign Policy*)**PANAMA**(See *U.S., Foreign Policy*)**PHILIPPINES**

April 18—Pro-government troops quickly quell a mutiny by a small contingent of troops loyal to former President Ferdinand Marcos; 1 of the mutineers is killed in the fighting, which occurred at a military post in Manila.

POLAND

April 25—The government press agency announces that the government will soon release 9 men imprisoned on charges of terrorism; Solidarity, the banned trade union, says the men are political detainees.

PORTUGAL

April 28—President Mário Soares dissolves Parliament; general elections are set for July 19.

SOUTH AFRICA(See also *Intl, UN; Zambia*)

- April 13—The government says restrictions it issued April 10 that bar meetings and protests against detention without trial do not apply to religious services.
- April 21—One black police trainee is killed and 64 trainees are wounded when a hand grenade is thrown onto a police parade field; no group takes responsibility.
- April 22—Police clash with striking railway workers, killing 6; 16,000 other railway workers are dismissed when they refuse to end their strike.
- April 24—The Natal Supreme Court curbs some provisions of South Africa's sweeping press regulations; the court says President P. W. Botha exceeded his authority when he gave the police commissioner the right to regulate press coverage of dissident activity.
- During the court case, the police officially report that 4,244 people are being detained; of these, 1,424 are between 12 and 18 years old.

SRI LANKA(See also *India*)

- April 17—Tamil separatist guerrillas stop 3 buses and 2 trucks outside the town of Alut Oya; they reportedly order all ethnic Sinhalese off the vehicles and kill 107 of them. About 60 Sinhalese are wounded.
- April 18—The death toll of the Alut Oya massacre is set at 126.
- April 21—A car bomb explodes at the main bus station in Colombo, killing at least 105 people and wounding 200; no group takes responsibility for the bombing.
- April 23—Government planes bomb suspected Tamil guerrilla bases for a 2d day; Tamil sources report more than 80 people have been killed in the retaliatory raids.

THAILAND

- April 9—About 600 soldiers demonstrate in support of army Commander in Chief Chavalit Yonchaiyudh; the army has staged several protests since April 1, when a former Prime Minister criticized Chavalit's restructuring of Thailand's internal security force.

UGANDA

- April 25—Police in Kampala report that guerrillas killed 30 civilians in Soroti this week.

U.S.S.R.(See also *Intl, Arms Control; Egypt; Israel; U.S., Foreign Policy*)

- April 4—The government expels 6 French citizens in retaliation for the expulsion of 3 Soviet citizens from France on April 2 on charges of spying.
- April 9—Soviet General Secretary Mikhail Gorbachev arrives in Prague.
- April 14—Soviet General Secretary Mikhail Gorbachev tells visiting U.S. Secretary of State George Shultz that the Soviet Union would like to eliminate all short-range nuclear missiles in Europe in addition to all intermediate-range nuclear missiles; Shultz does not accept the offer.
- The government announces that Kuwait will lease 3 Soviet oil tankers to transport Kuwaiti oil through the Persian Gulf; Soviet warships may be used to escort the tankers.
- April 20—In Moscow, weeklong talks between the Soviet Union and China end; both countries are still unable to reach agreement on policy toward Afghanistan and Kampuchea. Further talks will be held in October.

UNITED KINGDOM**Northern Ireland**

- April 25—Irish Republican Army (IRA) guerrillas take responsibility for the car-bombing death today of Lord Justice Maurice Gibson, the second-ranking judge in the country, and his wife.

UNITED STATES**Administration**

- April 1—In a speech in Philadelphia, President Ronald Reagan says acquired immune deficiency syndrome (AIDS) is "public health enemy No. 1." He says the young can best avoid AIDS by abstaining from extramarital sexual relations.
- President Reagan names Thomas Griscom director of communications for the White House.
- April 6—Attorney General Edwin Meese 3d announces the appointment of J. Michael Quinlan as head of the Federal Bureau of Prisons. He replaces Norman Carlson, who will retire on July 3.
- April 9—The Interior Department issues final rules governing the amount of federally subsidized water large farms in the western U.S. can receive.
- The Senate confirms James Webb as secretary of the Navy.
- April 14—The Census Bureau reports that the average size of an American household has fallen to 2.67 people, a record low.
- April 16—In response to public complaints, the Federal Communications Commission (FCC) places new restrictions on the transmission of what it considers indecent programming by radio, television and telephone.
- The Environmental Protection Agency (EPA) says it has concluded that formaldehyde is a cancer-causing substance; restrictions on its use will be provided by the summer of 1988.
- The FCC votes to allow a \$1.50-per-month increase in the monthly access fee consumers pay to telephone companies; the increase will be phased in over 2 years.
- April 22—The EPA proposes new regulations that would require the inspection of public school buildings for crumbling asbestos; the inspections and cleanup of asbestos in schools are expected to cost \$3.2 billion.
- April 23—Attorney General Edwin Meese 3d says that the administration will focus its enforcement of immigration laws on "Fortune 500" companies that employ illegal aliens.
- The Justice Department withdraws subversion charges against 5 of 7 Palestinians living in the U.S.; the department says the Palestinians solicited funds for the Popular Front for the Liberation of Palestine. All 7 still face deportation.
- April 24—Attorney General Meese and Director of the Federal Bureau of Investigation William Webster announce that 15 leaders and followers of the Aryan Nation, a neo-Nazi group, have been indicted by 3 federal grand juries on charges of conspiring to overthrow the government.
- The White House nominates Dan Wall as chairman of the Federal Home Loan Bank Board; Wall must be confirmed by the Senate.
- April 25—In his weekly radio address, President Reagan warns Congress that approval of a trade sanctions bill could lead to a "fierce trade war" that will cost over a million U.S. jobs.
- April 27—The Interior Department announces a final 5-year plan to allow the opening of about 1.4 billion acres of the outer continental shelf to gas and oil exploration; the de-

partment says leasing will be deferred on about 650 million acres. The plan will go into effect in 60 days unless Congress rejects it.

The government calls off the sale of 306 mortgages it holds on housing for the poor after the head of the Government National Mortgage Association warns that private investors would try to displace present homeowners with higher rents and conversions to businesses and condominiums.

April 28—The Labor Department issues rules requiring farms with more than 11 fieldworkers to provide clean drinking water and sanitation facilities for the workers.

April 30—The Immigration and Naturalization Service issues final rules on the new immigration law; the provisions make it easier for illegal aliens to receive amnesty and continue to live in the U.S.

Education Secretary William Bennett calls for mandatory testing for acquired immune deficiency syndrome (AIDS) for immigrants, those seeking marriage licenses, and those being admitted to hospitals and clinics.

Economy

April 3—The Dow Jones Industrial Average of 30 blue-chip stocks gains 69.89 points, its largest 1-day gain in history.

The Labor Department reports that the unemployment rate was 6.5 percent in March.

April 6—The Dow Jones Industrial Average of 30 blue-chip stocks reaches a record high of 2,405.54.

April 7—Federal Reserve Board chairman Paul Volcker warns that relying on the decline of the dollar's value to lower the trade deficit risks recession in the U.S.

April 10—The Labor Department reports that the producer price index for finished goods increased by 0.4 percent in March.

April 14—The Commerce Department reports that the U.S. trade deficit in February was \$15.06 billion.

April 15—The Federal Reserve Board reports that industrial output decreased by 0.3 percent in March, the sharpest decline in 10 months.

April 16—James Miller 3d, the director of the Office of Management and Budget, warns the Federal Reserve Board that it should not raise interest rates; Miller says an increase would cause a recession in 1988.

April 23—The Commerce Department reports that the gross national product (GNP) grew at a 4.3 percent annual rate in the 1st quarter of 1987.

April 24—The Labor Department reports that the Consumer Price Index, which measures inflation, increased by 0.4 percent in March.

April 29—The Commerce Department announces that the index of leading economic indicators rose 0.4 percent in March; the department revises the February increase downward by almost half.

Foreign Policy

(See also *Intl, Arms Control; Austria; Canada; Chad; El Salvador; Greece; Japan; Libya; Nicaragua; U.S.S.R.*)

April 1—Administration officials report that because the U.S. fears its embassy in Moscow has been electronically bugged, it is no longer transmitting sensitive messages from the embassy. The suspected bugging occurred when U.S. Marine guards allowed Soviet agents access to the embassy.

April 2—*The New York Times* reports that President Reagan was informed 2 years ago of security deficiencies in the U.S. embassy in Moscow.

April 7—The State Department reports that Assistant Secretary of State for African Affairs Chester Crocker met

yesterday with Angolan Interior Minister Kito Rodrigues in the Congo to discuss the removal of Cuban troops from Angola.

April 8—*The New York Times* reports that it has discovered that the Reagan administration and private groups raised between \$83 million and \$97 million for the Nicaraguan rebels (contras); about \$20 million cannot be accounted for.

President Reagan orders the Intelligence Review Board to assess the extent of Soviet bugging in the new U.S. embassy in Moscow in order to determine whether it should be destroyed and rebuilt.

April 10—President Reagan tells a World Affairs Council audience in Los Angeles that U.S.-Soviet relations are "proceeding"; "no great cause for excitement, no great cause for alarm." He challenges the Soviet Union to set a date for the withdrawal of Soviet troops from Afghanistan.

April 11—In his weekly radio address, President Reagan says that Soviet spying has exceeded "the bounds of reason."

April 15—U.S. Secretary of State George Shultz ends 3 days of talks in Moscow with Soviet Foreign Minister Eduard Shevardnadze; Shultz says a treaty could be reached on limiting intermediate-range nuclear weapons in Europe. Shevardnadze says he agrees with Shultz's assessment.

Justice Department officials report that Attorney General Meese asked Panama to accept convicted Nazi war criminal Karl Linneas, who faces deportation to the Soviet Union; Panama withdrew its offer of political asylum today.

April 16—The White House announces that the U.S. and 6 other Western nations have agreed not to export large missiles and their components to other nations.

April 17—President Reagan imposes a 100 percent tariff on Japanese color television sets, motorized hand tools, and selected computers; the tariff, the 1st to be imposed by the U.S. against Japan in the postwar era, is imposed in retaliation for Japanese "dumping" of microchips in the U.S.

Government officials report that at last month's meeting between Secretary Shultz and Soviet Foreign Minister Shevardnadze, Shevardnadze suggested that the U.S. and the Soviet Union hold nuclear tests in each other's country in order to test their verification systems.

April 20—The government deports accused Nazi war criminal Karl Linneas to the Soviet Union; Linneas, who faces a death sentence in the Soviet Union, was stripped of his citizenship after he was found to have lied about his past as commander of a concentration camp.

April 27—The Justice Department places Austrian President Kurt Waldheim on its list of people who cannot enter the U.S.; the department says it has evidence that "establishes a prima facie case" that Waldheim aided in the persecution of Jews and other ethnic minorities during World War II.

Administration officials report that Pakistan has made an urgent request for U.S. radar aircraft; the officials say the Pakistanis want to lease the aircraft in order to defend border areas from attacks by Afghan warplanes.

April 28—Presidential spokesman Marlin Fitzwater criticizes a column written by Edward Rowny, a senior arms adviser, that was critical of U.S. arms control strategy on intermediate-range missiles.

April 30—Secretary Shultz rejects a congressional subpoena for documents relating to the security of the U.S. embassy in Moscow; the State Department says all pertinent documents have been provided to congressional investigators who are looking into the security breaches at the embassy.

The Agriculture Department announces that the Soviet Union has agreed to buy 4 million tons of U.S. wheat at an unspecified subsidized price.

Labor and Industry

April 12—Texaco Incorporated announces that it is filing for bankruptcy because it is unable to settle a dispute with Pennzoil Company; Texaco has said it cannot pay \$10.53 billion into an escrow account while the Pennzoil case is on appeal.

April 16—A. H. Robins, a pharmaceutical company, says it is setting aside \$1.75 billion to settle damage suits against the company because of injuries allegedly caused by its Dalkon Shield birth control device; Robins filed for bankruptcy in 1985 and the provision for Dalkon Shield claimants is part of its reorganization plan.

Legislation

April 2—Voting 67 to 33, the Senate overrides President Reagan's veto of an \$87.9-billion highway bill. The House overrode the veto on March 31.

The Senate votes 99 to 0 to authorize the government to pay bonuses to states that successfully move welfare recipients into private-sector jobs and off welfare assistance.

April 9—The House votes 230 to 192 to approve the House Budget Committee's \$1,038-trillion budget for fiscal year 1988; the budget includes an \$18-billion tax increase and a projected \$132.5-billion deficit.

With a 394-27 vote, the House rejects President Reagan's 1988 fiscal year budget proposal.

The Senate approves \$423.2 million in aid for the homeless; the aid, which is approved on a voice vote, is included in the 1987 fiscal budget.

April 23—The Senate passes and sends to President Reagan a bill that repeals a section of the Surface Mining Control and Reclamation Act of 1971 exempting surface mines that are 2 acres or less in area from certain environmental regulations; the bill, which was passed by voice vote in the House on April 21, is supported by the administration.

April 24—The Senate passes a bill that would require lap and shoulder belts in the rear seats of automobiles; the bill now goes to the House.

April 30—The House passes, 290 to 137, trade legislation that requires retaliation against countries that practice unfair trade or have large trade surpluses with the U.S.; the bill also establishes an Industrial Competitiveness Council to aid U.S. exporters.

Military

April 8—The Defense Department announces that a 3d Marine has been detained in connection with spying at the U.S. embassy in Moscow.

Political Scandal

April 15—According to lawyers for the defendants, special prosecutor Lawrence Walsh has granted immunity to the security head and the accounting officer of a company that is linked with General Richard Secord, who is being investigated in the sale of arms to Iran and the diversion of sales proceeds to the Nicaraguan contras.

April 21—The Senate committee investigating the Iran-contra affair grants immunity to former National Security Adviser John Poindexter; the immunity grant covers only testimony provided to the committee.

April 23—The Justice Department begins a criminal investigation of Nuclear Regulatory Commission member Thomas Roberts; Roberts is being investigated in connection with the diversion to the reactor's owners of a secret memorandum on design flaws in a Louisiana nuclear reactor.

April 24—*The New York Times* reports that congressional committees investigating the diversion of profits from the sale of arms to Iran have discovered that U.S. military personnel violated a ban on aid to the contras by refueling planes and storing weapons and ammunition for the contras.

A federal grand jury in Tennessee indicts Representative Harold Ford (D., Tenn.) on charges of conspiring to commit mail, bank and tax fraud.

April 29—In federal district court in Washington, D.C., Carl Channell, a professional political fund raiser, pleads guilty to the charge that he defrauded the government of more than \$2 million when he used tax-exempt funds to purchase arms for the Nicaraguan contras; he names former National Security Council aide Oliver North as a co-conspirator in the case.

Politics

April 6—Representative Jack Kemp (R., N.Y.) announces that he is a candidate for the 1988 Republican presidential nomination.

April 13—Gary Hart announces his candidacy for the 1988 Democratic presidential nomination; Hart, a former senator from Colorado, also ran for the nomination in 1984.

April 28—Paul Laxalt, a former senator from Nevada and a close friend of President Reagan's, announces that he is a candidate for the 1988 Republican presidential nomination.

Science and Technology

April 1—The National Aeronautics and Space Administration (NASA) announces that companies are being invited to submit plans for a new solid-fuel booster rocket for the space shuttle; the new boosters are to be ready by 1993.

April 22—The American Physical Society releases a report prepared by leading American physicists on President Reagan's "Star Wars" or Strategic Defense Initiative (SDI); the report concludes that laser and particle beam weaponry for ballistic missile defense will require several years of research before it can be determined whether this weaponry could work in a space-based antiballistic missile defense system.

April 24—After 3 years of legal battles, Advanced Genetic Sciences Inc. sprays a strawberry field outside San Francisco with a genetically altered bacterium that is designed to protect crops from frost damage. This is the 1st time a life form genetically altered by man has been released into the environment.

Supreme Court

April 6—The Court unanimously overrules a federal district court ruling that Texaco Inc. did not have to post a \$10-billion bond during its appeal of a damage award to Pennzoil Company.

April 22—The Court rules 5 to 4 to uphold Georgia's death penalty and finds that it does not unconstitutionally discriminate against blacks. The defendant, Warren McCleskey, argued that studies have shown that blacks have disproportionately been sentenced to death; the Court majority replied that to show racial discrimination, McCleskey would have to show specific discrimination in his case; he cannot argue from a generalized case.

Voting 5 to 4, the Court says that a family receiving benefits from Aid to Families with Dependent Children, a federal-state welfare program, will have those benefits terminated if the family receives a lump sum personal injury award.

April 28—The Court votes 5 to 3 to uphold the requirement that films produced by foreign governments be registered

and labeled as "political propaganda" when they are brought into the U.S.; the Court's majority says the requirement is not unconstitutional.

VATICAN (See *Chile*)

VIETNAM

April 19—Elections are held for the National Assembly.

Chairman of the Council of Ministers Pham Van Dong confirms that he will resign the post in June, when the newly elected Assembly first meets.

MAY, 1987

INTERNATIONAL

European Economic Community (EEC)

May 7—The EEC announces that industrial production and steel output declined last year among the Community's 12 members.

International Monetary Fund (IMF)

May 16—The Fund announces that it will provide Egypt with a \$327-million loan over the next 18 months; the loan is contingent on cuts in the Egyptian government's budget.

Iran-Iraq War

May 17—The Soviet Union reports that a Soviet oil tanker struck a mine in the Persian Gulf today; the tanker was chartered by Kuwait to carry oil through the Gulf.

Middle East

May 4—Palestine Liberation Organization (PLO) chairman Yasir Arafat offers to meet with Israeli leaders to discuss a Palestinian state that would coexist with Israel; he says the meeting must be held under United Nations (UN) auspices.

Warsaw Pact

May 29—Soviet General Secretary Mikhail Gorbachev and the leaders of the 6 other member nations of the Warsaw Pact end a meeting in East Berlin.

Western Sahara

May 5—Morocco and Algeria agree to resume talks on the status of the Western Sahara; Morocco claims the territory, while Algeria and Libya back an indigenous guerrilla group, the Polisario Front, which wants to govern the area.

AFGHANISTAN

May 1—The government says its forces shot down a Pakistani jet today that had crossed into Afghan airspace.

ALGERIA (See *Intl, Western Sahara*)

ARGENTINA

May 13—President Raúl Alfonsín offers Parliament a bill that would end the prosecution of military members accused of human rights abuses during military rule; Alfonsín says he is offering the amnesty in order to bring Argentina back from "the edge of civil war."

AUSTRALIA

May 19—Prime Minister Robert Hawke orders Libya to close its embassy; he says the Libyans have engaged in spying.

BAHAMAS

May 12—Prime Minister Lynden Pindling dissolves Parliament and schedules elections for June 19.

YUGOSLAVIA

April 24—In Kosovo Polje, about 10,000 Serbs and Montenegrins clash with police during a demonstration to protest discrimination by the majority ethnic Albanians in the province.

ZAMBIA

April 25—The government reports that South African troops entered Zambia today, killing 4 civilians and destroying 2 buildings in the town of Livingston. South Africa says it was attacking buildings housing members of the African National Congress (ANC).

CANADA

(See also *U.S., Foreign Policy*)

May 1—Prime Minister Brian Mulroney announces that the province of Quebec has agreed to sign the Canadian constitution, ending a 5-year debate about Quebec's standing in Canada.

May 27—President François Mitterrand arrives in Montreal for the 1st visit by a French President in over 20 years.

CHINA

(See *U.S., Political Scandal*)

CUBA

May 28—Deputy Chief of Staff of the Cuban Defense Ministry Rafael del Piño Díaz defects to the U.S. in a small plane; he is the highest-ranking Cuban official ever to defect to the U.S.

EGYPT

(See also *Intl, IMF*)

May 14—The government announces that it has broken off all diplomatic ties with Iran because Egyptian security officials have discovered a ring of Muslim fundamentalists financed by Iran.

May 26—Two U.S. diplomats are wounded when gunmen open fire on them as they drive to work in Cairo; no group takes responsibility.

EL SALVADOR

(See also *U.S., Foreign Policy*)

May 2—Guerrillas kill 11 soldiers in a raid on an army base in Morazán province; 4 of the leftist guerrillas are reportedly captured.

FIJI

May 14—Lieutenant Colonel Sitiveni Rabuka takes over the government and places Prime Minister Timoci Bavadra and his entire Cabinet under arrest.

May 15—Soldiers close down 2 newspapers.

Governor General Ratu Sir Penaia Ganilau, who is nominally the head of state of this Commonwealth nation, refuses to meet with Rabuka.

May 19—The military releases Prime Minister Bavadra, who promises to regain control of the government.

The Governor General dissolves Parliament and orders new elections.

FRANCE

(See also *Canada*)

May 11—In Lyon, the government begins its trial against Klaus Barbie; Barbie is accused of committing crimes against humanity when he was head of the Nazi secret police in Lyon during World War II.

May 14—Prime Minister Jacques Chirac arrives in Moscow for 3 days of talks, which will center on charges that the Soviet Union is spying on the European Ariane rocket project.

GERMANY, WEST (See *U.S.S.R.; Vatican*)

GUATEMALA

May 13—President Vinicio Cerezo arrives in Washington, D.C., and meets with U.S. President Ronald Reagan.

HONDURAS (See *U.S., Foreign Policy*)

INDIA

May 3—The United News of India reports the delivery of 2 squadrons of Soviet-built MiG-29 jet fighters.

May 16—Prime Minister Rajiv Gandhi says that "foreign forces" are waging a campaign to discredit his leadership.

IRAN (See *Intl, Iran-Iraq War; Egypt; U.S., Foreign Policy*)

IRAQ (See *Intl, Iran-Iraq War; U.S., Foreign Policy*)

ISRAEL

(See also *Intl, Middle East; Lebanon; U.S., Foreign Policy*)

May 7—Foreign Minister Shimon Peres says that his plan for an international peace conference on Middle East peace offers the best chance for peace in the region; he says he will force an early national election if the coalition government does not support the plan.

May 13—Peres calls on Prime Minister Yitzhak Shamir to resign because of Shamir's opposition to the peace plan; Shamir says he will not resign.

May 18—In Washington, D.C., Peres meets with Soviet Ambassador to the U.S. Yuri Dubynin to discuss possible Soviet attendance at an international Middle East peace conference.

May 20—The Labor party and the Likud bloc join forces to save their national unity government. They defeat 4 no-confidence motions put before the Knesset by left-wing parties.

May 24—The Supreme Court rules that an Israeli-Arab officer was wrongly sentenced to 18 years in prison after he was framed by the Shin Beth, Israel's domestic intelligence agency; Shin Beth officials have acknowledged that they beat the officer and fabricated the charges against him. The officer is ordered released immediately.

May 26—Two government-appointed committees announce that they have found no evidence that the Israeli government's leadership knew of the spying undertaken for Israel by U.S. naval analyst Jonathan Jay Pollard; however, the committees say that the Cabinet is collectively responsible for not adequately overseeing government officials who had unofficial contacts with Pollard.

JAPAN

May 1—Prime Minister Yasuhiro Nakasone ends 2 days of talks with U.S. President Ronald Reagan in Washington, D.C.; discussions centered on the U.S.-Japanese trade relationship.

The Ministry of Finance reports that Japan's trade surplus at the end of March, 1987, was a record \$101 billion.
May 28—Prime Minister Nakasone's Cabinet approves a \$43-billion program to stimulate the economy; the bill includes spending on public works and on housing.

KAMPUCHEA

May 14—Prince Norodom Sihanouk announces that he is stepping down for 1 year as head of the guerrilla force fighting the Vietnamese-installed government; Sihanouk says he is withdrawing to protest human rights abuses by the Khmer Rouge guerrillas in the coalition.

KOREA, SOUTH

May 26—President Chun Doo Hwan replaces his Prime Minister and 7 members of his Cabinet; Prime Minister Lho Shin Yong is replaced by Lee Han Key.

KUWAIT

(See *Intl, Iran-Iraq War; U.S., Foreign Policy, Legislation*)

LEBANON

May 4—Prime Minister Rashid Karami resigns.

May 6—Israeli jets bomb a Palestinian camp near Sidon in southern Lebanon; 10 people are reported killed.

May 21—The Parliament repeals an agreement with the PLO that allowed the PLO to maintain bases in Lebanon.

May 31—Shiite guerrillas attack a Christian Lebanese militia and Israeli army base near Jezzini in southern Lebanon; 19 people are reported killed.

LIBYA

(See also *Intl, Western Sahara; Australia; Vanuatu*)

May 4—For the 1st time in 4 years, the PLO is allowed to reopen an office in Libya; Libyan leader Muammar Qaddafi ordered PLO offices closed when he decided to support opponents of PLO chairman Yasir Arafat.

MALTA

May 12—Edward Adami is sworn in as the new Prime Minister; he replaces Mifsud Bonnici, whose Labor party has ruled Malta for the last 16 years.

MEXICO

May 4—Foreign Minister Bernardo Sepúlveda begins a week-long visit to the Soviet Union.

MOROCCO

(See *Intl, Western Sahara*)

MOZAMBIQUE

(See also *U.S., Foreign Policy*)

May 7—President Oaquim Chissano reports that government troops have begun a major operation to defeat South African-backed guerrillas in southern Mozambique.

NICARAGUA

(See *U.S., Foreign Policy, Political Scandal*)

PAKISTAN

(See *Afghanistan*)

PHILIPPINES

May 14—Former Defense Minister Juan Enrile leads a protest march of 25,000 people through Manila; he tells the marchers that it may be time to revolt against the government again.

POLAND

(See *U.S., Political Scandal*)

ROMANIA

May 25—Soviet General Secretary Mikhail Gorbachev arrives for a 3-day official visit.

SOUTH AFRICA(See also *Mozambique; Zimbabwe*)

- May 4—Police arrest 120 students at the University of Witwatersrand after the students protest the forthcoming whites-only elections.
- May 5—More than 500,000 black workers begin a strike to protest tomorrow's whites-only elections.
- May 7—Results from yesterday's national elections show that President P.W. Botha's National party won 123 seats in Parliament; Botha says his party's 16-seat increase is a mandate for gradual change in South Africa.
- May 12—The government says it will begin legal action against companies that house black or mixed-race people in white areas; on May 10 the government placed new restrictions on married interracial couples, requiring them to move from white areas within 3 months.
- May 20—Four policemen are killed when a bomb explodes outside a courthouse in Johannesburg; the government says the African National Congress is responsible for the bombing.

TAIWAN

- May 19—Police block thousands of demonstrators protesting the 38th anniversary of martial law from marching on the presidential palace in Taipei.

U.S.S.R.(See also *Intl, Iran-Iraq War, Warsaw Pact; France; Israel; Mexico; Romania; U.S., Foreign Policy, Legislation, Military*)

- May 22—The government announces that the Soviet Union will end all commercial whaling immediately.
- May 29—Mathias Rust, a young West German pilot, lands his small private plane in Red Square after flying unimpeded and undetected to Moscow.
- May 30—The Politburo announces that Defense Minister Sergei Sokolov has been removed from his post and that the commander of the Soviet air force, Aleksandr Koldunov, has been dismissed for "negligence" in allowing the small German plane to fly into Soviet airspace. Dmitri Yazov is named to take Sokolov's place.

UNITED KINGDOM**Great Britain**

- May 11—Prime Minister Margaret Thatcher announces that elections will be held June 11, one year earlier than required. Thatcher is calling early elections because of her high standing in opinion polls.
- May 18—Queen Elizabeth dissolves Parliament.

UNITED STATES**Administration**

- May 4—The White House announces that President Ronald Reagan has approved the formation of a special presidential advisory commission on acquired immune deficiency syndrome (AIDS); the commission will advise the President on the public-policy aspects of dealing with the AIDS crisis.
- The Postal Service Board of Governors votes 5 to 1 to increase the cost of a first-class letter to 25 cents; most other mail rates will rise. The increase must be approved by the Postal Rate Commission.
- May 6—Former Central Intelligence Agency (CIA) director William Casey dies of cancer.
- May 10—The Justice Department reports that the U.S. prison population has risen to an all-time high of 546,659 inmates; the prison population increased by 9 percent in 1986.
- May 11—In a report released today, the Center for Disease

Control says it does not recommend mandatory testing for AIDS.

- May 15—The Public Health Service issues a recommendation that all immigrants seeking permanent residence in the U.S. must undergo mandatory testing for AIDS; the secretary of health and human services must approve the measure before it goes into effect.
- May 17—White House chief of staff Howard Baker says that President Reagan did not violate the congressional restriction on aid to the contras because the restrictions do not apply to the President.
- May 25—Former Secretary of Labor Raymond Donovan is acquitted of charges of fraud and grand larceny; Donovan, who has been on trial for 8 months, resigned his Cabinet post because of the original indictment.
- May 31—President Reagan calls for the testing of selected groups for AIDS; in his first major speech on the AIDS epidemic, the President says he does not favor mandatory testing of all Americans.

Economy

- May 1—Citibank of New York raises its prime lending rate to 8 percent; this is the 2d increase in the prime rate this spring.
- May 8—The Labor Department reports that the U.S. unemployment rate in April was 6.2 percent, the lowest rate in 7 years.
- May 14—The Commerce Department reports that the U.S. trade deficit declined in March to \$13.6 billion; however, the deficit is still at a record level.
- May 15—The Labor Department reports a 0.7 percent increase in its producer price index for April, the largest increase in 18 months.
- May 22—The Labor Department announces that the consumer price index rose 0.4 percent in April, its 3d monthly increase.
- The Commerce Department reports that the gross national product grew at a 4.4 percent annual rate in the 1st 3 months of 1987.
- May 26—On international money markets, the value of the dollar increases dramatically against other currencies.
- May 27—The Commerce Department reports that the U.S. merchandise trade deficit was \$38.3 billion in the 1st quarter of 1987, a 1 percent decline from the 1986 4th quarter trade deficit.

Foreign Policy(See also *Egypt; Guatemala; Israel; Japan*)

- May 2—Government intelligence officials report that the Soviet Union is using its embassy and the embassies of Eastern bloc nations to eavesdrop on U.S. government communications.
- May 3—In a speech before the American Newspaper Publishers Association in New York, President Reagan calls for continued aid to the Nicaraguan contras and a congressional aid package for all Central America.
- May 5—In Washington, D.C., a U.S.-Iranian tribunal agrees that the U.S. is legally bound to return \$451 million to Iran; this money was frozen in the U.S. after U.S. embassy personnel were taken hostage in Iran in 1979.
- May 6—A presidential panel chaired by former Defense Secretary Melvin Laird opens hearings on the sexual misconduct of U.S. Marines at the U.S. embassy in Moscow; 4 Marines are accused of allowing Soviet agents access to the embassy in return for sexual favors.
- May 12—The administration says it will sell Honduras 12 F-5E fighter jets; both houses of Congress have 30 days to vote to prohibit the sale.
- May 14—The State Department announces that it will not exclude the thousands of Salvadorans living in the U.S.

from the new immigration law; Salvadoran President José Napoleón Duarte requested the exception last month.

May 15—Meeting with newspaper editors, President Reagan says that "it was my idea to begin with" to provide aid to the Nicaraguan contras after Congress prohibited aid.

May 17—While on patrol in the Persian Gulf, the U.S.S. *Stark* is hit by 2 missiles fired by an Iraqi jet fighter; 37 sailors are killed. The State Department orders Iraq to provide a full and immediate explanation of the attack.

May 18—President Reagan orders all U.S. warships in the Persian Gulf to go on "full alert."

May 19—Assistant Secretary of State Richard Murphy says that the U.S. and Iraq will conduct a joint investigation of the Iraqi attack on the *Stark*.

May 20—The commander of the *Stark*, Captain Glenn Brindel, says that the ship's electronic sensing equipment did not detect the Iraqi missiles launched at the ship.

May 22—In a memorial ceremony for the 37 sailors killed on the *Stark*, President Reagan strongly defends the U.S. military presence in the area; he says the Gulf is a "choke point" for freedom and that the U.S. must guard against its capture by any hostile power.

A U.S. district court judge in New York allows David Kimche, an Israeli diplomat (under subpoena to testify to a federal grand jury on the Iran-contra arms sale) to return home after he says he will return to the U.S. when requested.

Secretary of State George Shultz tells Mozambique's minister of transportation that the U.S. will not send aid to antigovernment guerrillas in Mozambique.

May 24—Secretary of Defense Caspar Weinberger says that Arab nations bordering the Persian Gulf should allow the U.S. the right to base aircraft in their countries in order to protect tankers and keep the Gulf open.

May 25—The Voice of America (VOA) reports that the Soviet Union has stopped jamming the VOA's radio broadcasts to the Soviet Union.

May 27—President Reagan says that U.S. warships will defend themselves if attacked by Iran's new land-based missiles at the mouth of the Persian Gulf.

May 28—Senator Sam Nunn (D., Ga.) says he has been told by administration officials that the U.S. is delaying the use of U.S. military escorts for Kuwaiti oil tankers sailing under the U.S. flag in the Persian Gulf.

The State Department asks a U.S. district court to quash independent prosecutor Whitney North Seymour Jr.'s subpoena of the Canadian ambassador to the U.S.; Seymour subpoenaed the ambassador as a witness in the investigation of former White House chief of staff Michael Deaver. The Canadians complain that the subpoena is a violation of their ambassador's diplomatic immunity.

May 29—Iraq refuses to allow a U.S. investigating team to interview the pilot of the Iraqi jet that attacked the *Stark*. The team and Iraqi officials reportedly work out procedures to prevent further Iraqi attacks on U.S. ships.

Labor and Industry

May 19—Citicorp Bank in New York announces that it will lose \$2.5 billion in the 2d quarter because it must set aside \$3 billion in reserves in case third world nations default on Citicorp loans.

Legislation

May 6—The House votes 245 to 181 to approve an amendment for the 1988 fiscal year defense budget that requires the U.S. to adhere to the 1979 Strategic Arms Limitation Treaty (SALT 2).

May 14—The Senate votes 93 to 3 to provide \$7.5 billion for the Federal Savings and Loan Insurance Corporation;

the House bill passed last week provided \$5 billion; the bill goes to committee.

May 18—The Senate confirms William Webster as director of the CIA.

May 19—The House votes 234 to 187 to approve an amendment that will ban all tests of nuclear weapons if the Soviet Union also bans testing and permits on-site verification that testing has ended; the amendment is part of the defense budget bill.

May 20—The House votes 239 to 177 to approve a defense budget of \$288 billion for fiscal year 1988; President Reagan is expected to veto the bill.

May 21—Voting 91 to 5, the Senate requires the administration to inform Congress how U.S. ships, which the administration plans to use to escort Kuwaiti oil tankers in the Persian Gulf, will defend themselves if attacked.

In a 401-1 vote, the House approves the School Improvement Act, which consolidates 14 government education programs and provides for higher spending on education for the poor and for bilingual education.

May 28—The Senate votes 47 to 43 to delay for 4 months enforcement of a bill that makes it illegal for a U.S. business to employ illegal aliens.

Military

May 15—The Marine Corps announces that it is dropping its charge that Marine Sergeant Clayton Lonetree allowed Soviet agents into the U.S. embassy in Moscow; Lonetree will still be tried on lesser espionage charges.

Political Scandal

May 1—A congressional official says that the congressional committees jointly investigating the Iran-contra affair have found that China and Poland supplied arms to the contras at the behest of the U.S.

Representative Gerry Sikorski (D., Minn.) asks the General Accounting Office to investigate financial dealings between Attorney General Edwin Meese 3d and the Wedtech Corporation, a military contractor in New York that is under investigation for bribery and fraud.

May 3—Senator Daniel Inouye (D., Hawaii), the chairman of the Senate committee investigating the Iran-contra affair, says he believes President Reagan knew that money for weapons was being raised to aid the Nicaraguan contras during the period when such aid was prohibited by Congress.

May 5—Joint congressional committee hearings on the Iran-contra arms scandal begin; the 1st witness, retired Air Force General Richard Secord, asserts that CIA director William Casey helped provide weapons for the contras after Congress banned such aid.

May 6—Secord tells the joint committee hearings that he was told by former National Security Adviser John Poindexter that President Reagan knew of the private funding effort for the contras and was "pleased" with Secord's work.

May 14—Robert Owen tells congressional investigators that he delivered cash provided by former National Security Council staffer Lieutenant Colonel Oliver North to the Nicaraguan contras in 1984 and 1985; U.S. aid to the contras was prohibited during that period.

May 20—Testifying before the Iran-contra joint committee, Adolfo Calero, the head of the political wing of the contras, says that he gave North \$90,000 in blank traveler's checks; congressional investigators report that North spent over \$2,000 of the money for personal use.

May 28—Former U.S. Ambassador to Costa Rica Lewis Tamba tells the Iran-contra joint committee that he was ordered to assist the contras during the time it was illegal

for the U.S. to do so. He says he was under direct orders from the National Security Council, the State Department, and the Central Intelligence Agency to help the contras.

Politics

May 8—Gary Hart withdraws from the race for the 1988 Democratic presidential nomination; Hart, a former senator from Colorado, says he is withdrawing because of press coverage of his personal life; 5 days ago the *Miami Herald* reported that a young woman spent the night at Hart's house in Washington, D.C. Hart, who is married, denies any misconduct.

May 18—Senator Paul Simon (D., Ill.) declares his candidacy for the 1988 Democratic presidential nomination.

Supreme Court

May 4—The Court rules unanimously that states cannot prohibit private clubs from excluding women from membership; however, some small, selective private clubs may still be able to discriminate according to sex.

May 18—In a unanimous decision, the Court rules that the 1886 law banning racial discrimination against blacks also applies to Arabs, Jews and other members of ethnic groups.

May 26—In a 6-3 ruling, the Court upholds the use of preventive detention in cases where a judge rules that a criminal defendant poses a threat to the public safety.

VANUATU

May 7—The government expels 2 Libyan diplomats for spying.

VATICAN

May 1—On a visit to West Germany, Pope John Paul II beatifies Edith Stein, a Jewish-born Roman Catholic nun who was killed by the Nazis during World War II.

VIETNAM

(See *Kampuchea*)

YUGOSLAVIA

May 12—Coal miners in northwestern Yugoslavia end a 33-day strike after the government agrees to their demands for higher wages and changes in mine management.

ZIMBABWE

May 13—Ian Smith, the former Prime Minister of the white-ruled state of Zimbabwe, resigns from Parliament; he was suspended from Parliament last month after he traveled to South Africa and protested the use of sanctions against South Africa.

June, 1987

INTERNATIONAL

Arms Control

(See *Intl.*, *NATO*; *Germany*, *West*)

Association of Southeast Asian Nations (ASEAN)

(See also *U.S.*, *Foreign Policy*)

June 16—The members of ASEAN conclude their annual meeting in Singapore; they call for an end to the political troubles in Kampuchea and express hope for an end to the stream of refugees coming out of Indochina.

Economic Summit at Venice

June 8—The 13th meeting of the 7 major industrial democracies begins in Venice.

June 9—The leaders of the 7 nations issue a proclamation endorsing the principle of freedom of navigation in the Persian Gulf but fail to endorse the hard line proposed by U.S. President Ronald Reagan.

June 10—The Venice summit ends with a series of general proposals on world economic, health and political problems but without specifics for dealing with any of them.

European Economic Community (EEC)

June 29—The 12 EEC nations begin their semiannual meeting in Brussels; better diplomatic relations with Syria and agricultural problems will be discussed.

June 30—The EEC meeting ends in disagreement over agricultural policies.

General Agreement on Tariffs and Trade (GATT)

June 17—The members of GATT say that the U.S. tax on imported oil, which is higher than the tax on domestically produced oil, invalidates its rules; the U.S. is urged to comply and lower this import tax.

Iran-Iraq War

(See *Intl.*, *U.N.*; *U.S.S.R.*; *U.S.*, *Foreign Policy*, *Military*)

North Atlantic Treaty Organization (NATO)

June 12—In Iceland, NATO foreign ministers formally endorse a proposal that would ban U.S. and Soviet short-range missiles.

June 20—NATO commander General Bernard Rogers, finishing his 8-year term as supreme commander of NATO, says it would be dangerous to conclude U.S. agreements with the Soviet Union limiting medium-range nuclear missiles in Europe and opposes acceptance of such a proposal by European nations. In Australia, U.S. Secretary of State George Shultz calls the statement by Rogers "entirely incorrect."

Organization of Petroleum Exporting Countries (OPEC)

June 25—The OPEC oil ministers open a meeting in Vienna to set oil production levels.

June 28—The 13 OPEC oil ministers end a 3-day meeting; they keep the official price of their oil at \$18 per barrel and set production levels.

United Nations (UN)

June 21—U.S. Under Secretary of State for Political Affairs Michael Armacost reports that the 5 permanent members of the UN Security Council have agreed to urge a cease-fire resolution in the Iran-Iraq war.

AFGHANISTAN

June 11—Government officials accuse Afghan guerrillas of using American-made Stinger missiles to down an Afghan passenger plane. Radio Kabul reports that 53 of the 55 passengers and crew on board the plane died.

June 23—Sources in Pakistan say that Afghan guerrillas and Soviet and Afghan government forces ended a month-long battle on June 18 near the city of Kandahar.

ANGOLA

(See also *South Africa*; *U.S.*, *Foreign Policy*)

June 28—In a "gesture of goodwill," the government releases Joseph Longo, an American pilot who was downed by Angolan jet fighters in April while flying his single-engine plane over Angolan airspace.

June 29—In talks with a visiting U.S. congressional dele-

gation, President José Eduardo dos Santos states that he is willing to negotiate the withdrawal of Cuban troops from Angola.

ARGENTINA

June 23—Argentina's Supreme Court upholds the "due obedience" law; the law grants immunity to officers who committed human-rights violations under military rule from 1976 to 1983 on the grounds that they were acting under orders.

AUSTRIA

(See *Vatican*)

BAHAMAS

June 19—Prime Minister Lynden Pindling is reelected for a 6th term of office.

CANADA

June 3—Canada's national and provincial leaders sign a pact to end Quebec's boycott of the constitution.

June 5—The administration announces a 15-year program to build the country's military strength by purchasing nuclear-powered submarines, tanks and ships, and by expanding reserves by 30,000 men.

CENTRAL AFRICAN REPUBLIC

June 12—Former dictator Jean-Bedel Bokassa, on trial for the murder of at least 20 of his opponents during his reign from 1965 to 1979, is found guilty and sentenced to death. It is anticipated that President André Kolingba will commute Bokassa's sentence to life imprisonment.

CHILE

June 14—The Chilean government says that it will reject a U.S. demand to turn over 2 former intelligence officials in connection with the Letelier murder case.

June 15—President Augusto Pinochet receives Chinese foreign minister Wu Xueqian for an official visit.

CHINA

(See also *Chile; Kuwait; U.S., Foreign Policy*)

June 3—At a news conference, Prime Minister Zhao Ziyang says that he will give up his post either as Prime Minister or as Communist party chief after the 13th national congress this fall; Zhao has been serving as party chief since the dismissal of General Secretary Hu Yaobang in January.

June 10—Chinese officials deny accusations that China has been selling large quantities of weapons to Iran. The government states that it "maintains strict neutrality in the Iran-Iraq war and is making efforts to urge Iran and Iraq to put an end to the war."

June 14—At a college in Beijing, students boycott classes and paste political posters on campus walls. This is the first major student protest since the demonstrations last winter that led to the removal of Hu Yaobang as Communist party General Secretary.

COSTA RICA

(See also *U.S., Foreign Policy*)

June 18—In a meeting with U.S. Vice President George Bush, President Oscar Arias Sánchez criticizes American aid to the contras.

FINLAND

June 11—By a 121-20 vote, the 6-week-old coalition government survives a no-confidence vote in Parliament.

FRANCE

(See also *Haiti*)

June 6—Minister of Culture and Communications François Léotard, leader of the Republican party, threatens to resign from the Cabinet in response to accusations of disloyalty from Prime Minister Jacques Chirac.

June 7—In a telegram made public today, Prime Minister Chirac tells Culture Minister Léotard that he can stay on in the coalition if he wishes to.

GERMANY, EAST

June 9—For the third night in a row, police clash with thousands of East Germans who have gathered near the Berlin Wall to listen to an open-air rock concert being held on the other side of the wall in West Berlin.

GERMANY, WEST

(See also *Germany, East; U.S., Foreign Policy*)

June 1—The Bonn ruling coalition ends weeks of dispute by endorsing the "double-zero solution," a Soviet-American proposal to eliminate intermediate-range missiles from Europe.

June 4—By a vote of 232 to 189, Parliament formally agrees to support the government's decision endorsing the Soviet-American "double-zero" option.

June 11—Anticipating U.S. President Ronald Reagan's arrival on June 12 for the celebration of Berlin's 750th anniversary, 24,000 leftist demonstrators march in West Berlin to protest American policies.

June 14—Former Chancellor Willy Brandt resigns as leader of the Social Democratic party; Hans-Jochen Vogel is chosen as Brandt's successor at a special one-day party congress.

June 24—West Germany announces that hijacking suspect Mohammed Ali Hamadei will be tried in a West German court on charges of air piracy and murder, the same charges the U.S. had brought for extradition.

GREECE

June 4—Prime Minister Andreas Papandreu suggests that negotiations on the presence of U.S. military bases in Greece should be linked to Greece's disputes with Turkey; Papandreu also proposes that any agreement with the U.S. should be put to a referendum.

HAITI

June 23—In a decree published today, local elections have been scheduled for August 23 and will be under the control of a 3-man military-civilian council led by Lieutenant General Henri Namphy.

A French court refuses to hear an embezzlement suit brought by the Haitian government against former President Jean-Claude Duvalier.

June 29—General strikes are held in 6 major cities to protest last week's announcement of local elections.

HUNGARY

(See also *U.S., Foreign Policy*)

June 25—The government announces 2 changes in leadership: President Pal Losonczi is retiring and will be succeeded by Karoly Nemeth, and Gyorgy Lazar will be replaced by Karoly Groszt as Prime Minister.

INDIA

(See also *Sri Lanka*)

June 1—The government announces that it is sending a flotilla of unarmed ships, containing food and medicine, to northern Sri Lanka to provide "humanitarian assistance" to Tamil separatists; Sri Lankan government

forces have been carrying out a week-long offensive against Tamil guerrillas in the northern Jaffna peninsula.

June 3—The unarmed flotilla is forced to turn back after being confronted by Sri Lankan naval vessels; Indian officials denounce Sri Lanka for its "deliberately negative and destructive" response.

June 4—India sends transport planes to northern Sri Lanka and airdrops 25 tons of food and medicine to Tamil separatists; Sri Lanka protests that the airdrop is "a naked violation of our independence."

June 5—India proposes that talks be held at a regional cooperation conference in New Delhi on June 13 between the foreign ministers of Sri Lanka and India in order to resolve the conflict over Indian aid to Tamils in Sri Lanka.

June 11—In its investigation of alleged military kickbacks, the Indian government asks the Swiss government to help in identifying bank accounts illegally held by Indians.

June 14—In two separate incidents in New Delhi and Punjab, 26 people are killed in attacks by Sikh militants. This is the worst outbreak of violence attributed to Sikh terrorists since May, 1985.

June 15—Former Defense Minister Vishwanath Pratap Singh is detained by police in Uttar Pradesh and prevented from speaking at a rally.

June 18—Prime Minister Rajiv Gandhi's Congress (I) party is routed by an opposition coalition in legislative elections in Haryana, traditionally a strong Congress party region.

June 25—Indian military troops and police raid the main Sikh temple complex in Amritsar, arresting at least 200 suspected Sikh separatists.

IRAN

(See *Intl, Iran-Iraq War; China; Kuwait; U.S., Political Scandal*)

IRAQ

(See *Intl, Iran-Iraq War; U.S., Military*)

ISRAEL

June 1—Prime Minister Yitzhak Shamir formally asks the president of the Supreme Court to establish a judicial commission to investigate allegations of misconduct by agents of the Shin Beth, Israel's domestic intelligence service.

June 7—Moshe Arad, the present ambassador to Mexico, is appointed as Israel's next ambassador to the U.S.

June 8—Rabbi Meir Kahane, a member of the Israeli Parliament who holds dual Israeli-United States citizenship, is barred from Parliament when he refuses to take a loyalty oath.

June 18—Israel announces that a consular delegation from the Soviet Union will visit in the near future; this will be the first official Soviet visit to Israel since 1967.

ITALY

June 16—According to official returns from the parliamentary elections, the Communists suffer a major setback as the Christian Democrats and Socialists receive the biggest gains in 2 days of voting.

JAPAN

(See *U.S., Foreign Policy*)

KAMPUCHEA

(See *Intl, ASEAN*)

KOREA, SOUTH

(See also *U.S., Foreign Policy*)

June 2—Ruling party chairman Roh Tae Woo is selected by President Chun Doo Hwan as the Democratic Justice party's candidate to succeed Chun as President.

June 4—In a closely watched press censorship case, 2 journalists are found guilty of publishing official government press conduct guidelines.

June 11—Thousands of antigovernment student radicals violently protest in Seoul after Roh Tae Woo is formally certified by the ruling party as its presidential candidate.

June 15—In an effort to end continuing street violence in Seoul, riot police withdraw from the area surrounding a Roman Catholic church being held by protesters; however, the protesters refuse to leave.

June 16—Violence spreads in the 6th day of continuing protests, as the South Korean press reports clashes in Seoul and 6 other major cities.

June 17—As many as 10,000 students protest in Pusan, in that city's largest demonstration since the late 1970's.

June 24—President Chun meets with main opposition party president Kim Young Sam to discuss a solution to the country's ongoing political crisis.

June 25—Kim Young Sam announces that his party has rejected an offer by President Chun to reopen discussions on constitutional change; Kim says Chun would like the issue settled in the National Assembly, but this option would lead to a deadlock.

June 29—In a nationally televised address, Roh Tae Woo proposes that election laws should be changed to allow a direct presidential election and "free campaigns." Roh also supports the restoration of political rights to Kim Dae Jung, South Korea's most prominent dissident politician.

KUWAIT

(See also *U.S., Foreign Policy*)

June 6—Six Kuwaiti Shiite Muslims, accused of setting fires in Kuwaiti oilfields to show support for Iran's Ayatollah Ruhollah Khomeini's Islamic revolution, are sentenced to death by hanging; however, 2 of the 6 are still at large.

June 7—Kuwait appeals to China for help in protecting its shipping from Iranian attacks.

LEBANON

June 1—Prime Minister Rashid Karami is assassinated and at least 4 others are wounded when a bomb explodes on board a military helicopter flying from Tripoli to Beirut; President Amin Gemayel announces that former Prime Minister Selim al-Hoss, a Sunni Muslim, has been appointed as acting Prime Minister.

June 2—Lebanese Christians participate in a general strike called by Muslim leaders to protest the death of Prime Minister Karami.

June 5—Speaker of Parliament Hussein al-Hussein, a Shiite Muslim, resigns at a news conference in West Beirut. He accuses President Gemayel of indecision in the matter of Prime Minister Karami's assassination and blames Karami's death on a covert infiltration into the Lebanese Army.

June 18—Charles Glass, an American journalist, and Ali Osseiran, son of Defense Minister Adel Osseiran, are kidnapped in West Beirut by unidentified assailants.

June 21—Nabih Berri, leader of the Shiite militia Amal, says he will join the effort to obtain the release of Charles Glass and Ali Osseiran.

June 24—Ali Osseiran is released by his kidnappers, but Charles Glass is still being held captive. Defense Minister Osseiran thanks Syria for helping to gain his son's release.

MEXICO

June 19—According to government officials, Mexico will resume oil shipments to Nicaragua after a 2-year hiatus.

MOZAMBIQUE(See *Zimbabwe*)**NEW ZEALAND**

June 4—Legalizing a policy that has been enforced for the last 3 years, Parliament approves legislation banning nuclear-powered and nuclear-armed ships from New Zealand's ports.

NICARAGUA(See also *Mexico; U.S., Political Scandal*)

June 6—At a national meeting of labor union leaders, President Daniel Ortega Saavedra calls for a 5 percent cutback in the use of oil and an increase in the price of gas; Ortega says cutbacks are needed because of the rising cost of the civil war.

June 25—President Ortega visits Panama, expressing his support for Panama's leaders; Ortega also accuses the U.S. of interfering in Panamanian affairs.

PANAMA(See also *Nicaragua*)

June 8—Hundreds of students riot after former armed forces chief of staff Colonel Roberto Díaz Herrera accuses Panama's de facto leader, General Manuel Antonio Noriega, of involvement in the death of the nation's former leader, Brigadier General Omar Torrijos Herrera.

June 11—After the 4th day of political violence, the government imposes a state of emergency, closing many schools; in addition, the operation of opposition newspapers has been suspended, and the broadcast of news programs has stopped.

June 15—Gabriel Lewis Galindo, a leading Panamanian businessman and former ambassador to the U.S., flees into exile, vowing to oust General Noriega from power.

PERU

June 2—At a police post in Uchiza, 6 officers are killed and 6 others are wounded in a predawn ambush by drug dealers.

June 23—Foreign Minister Allan Wagner announces that Prime Minister Luis Alva Castro and the Cabinet have resigned.

PHILIPPINES(See also *U.S., Foreign Policy*)

June 8—Former Communist rebel leader Bernabe Buscayno is slightly wounded as gunmen ambush his car in Manila; a television cameraman traveling with Buscayno is killed.

June 26—A Philippines Airline plane crashes in northern Luzon, killing all 50 people aboard; officials say it is the 2d worst aviation accident in the country's history.

POLAND(See *Vatican*)**ROMANIA**(See *U.S., Foreign Policy*)**SAUDI ARABIA**(See *U.S., Foreign Policy*)**SINGAPORE**

June 20—Prime Minister Lee Kuan Yew announces the detention for trial of 12 people accused of "Marxist conspiracy to subvert the existing social and political system."

SOUTH AFRICA(See also *U.S., Foreign Policy, Labor and Industry*)

June 2—The government releases 269 children under the age of 16 who had been detained under state of emergency laws; 11 children in this age group are still being held and are charged with violent crimes, including murder.

June 4—President P.W. Botha attends a ceremony in his honor in Sharpeville, where 69 black protesters were killed by police in 1960. This is Botha's first visit to a major black township since his election in 1984.

June 6—Making a surprise appearance at a business meeting in Johannesburg, Angolan rebel leader Jonas Savimbi praises President Botha for his efforts to initiate change in South Africa's apartheid laws.

Archbishop Desmond Tutu urges President Botha to lift the 12-month nationwide state of emergency.

June 10—President Botha renews the state of emergency, saying it is needed to prevent "a renewed cycle of violence and unrest."

June 27—In a major split in the 1.7-million-member Dutch Reformed Church, right-wing dissidents, critical of a movement within the church to admit all races, walk out of a meeting in Pretoria and announce the formation of a new all-white church.

SPAIN

June 10—In local and regional elections, the governing Socialist party loses outright control in 21 of 27 major cities; as a result, the Socialists will have to form coalitions with centrist and leftist parties in some cities.

June 19—In a parking garage in Barcelona, a car-bomb explodes, killing 15 people; a phone caller claims that the Basque separatist group E.T.A. is responsible.

SRI LANKA(See also *India*)

June 2—The Sri Lankan government orders its armed forces to stop a shipment of supplies from India to Tamil separatists in northern Sri Lanka.

June 7—The government reports that early today gunmen failed to overrun Sri Lanka's 2 civilian airports. Officials tentatively identify the attackers as members of a leftist Sinhalese group.

June 8—The Sri Lankan army reports that its campaign against the Tamils in the Jaffna peninsula is a military success.

June 15—Sri Lanka agrees to allow unarmed Indian boats to bring supplies to Tamils in the Jaffna peninsula, on condition that Sri Lanka monitors the operation.

SWITZERLAND(See *India*)**SYRIA**(See *Intl, EEC*)**TURKEY**(See *Greece*)**U.S.S.R**(See *Intl, NATO; Afghanistan; Germany, West; Israel; U.S., Foreign Policy, Military*)

June 6—In an interview, First Deputy Foreign Minister Yuli Vorontsov says that the Soviet Union has no intention of adding to its present force of 3 warships in the Persian Gulf.

June 8—The public prosecutor in Estonia states that there are no grounds for a retrial of convicted Nazi war criminal Karl Linnas; Linnas, who was sentenced to death in ab-

sentia 25 years ago, has asked for a pardon since being deported to the Soviet Union from the U.S. last month.

June 12—According to party documents published today, General Secretary Mikhail Gorbachev has called for a reduction in the roles of Gosplan and the industrial ministries in the day-to-day control of industry; however, Gorbachev did not endorse changes in price control or in the number of ministries that control industry.

June 17—It is reported that Marshal Anatoly Konstantinov has been replaced as Moscow's air defense commander.

June 25—In the first day of the party's Central Committee meeting, General Secretary Gorbachev calls for a "radical reorganization of economic management." In addition, Gorbachev criticizes several of his own appointed officials, blaming them for the weak performance of Soviet industry this year.

June 26—The Central Committee approves a 37-page plan that endorses general but extensive changes in fixed pricing and industrial planning policies. In addition, 3 men are promoted to the rank of full membership in the Politburo: Aleksandr Yakovlev, Nikolai Slyunkov and Viktor Nikonov.

UNITED ARAB EMIRATES

June 17—Sharja state radio reports that Sheik Sultan bin Mohammed al-Qasimi has abdicated as leader of Sharja and will be replaced by his brother, Sheik Abdel-Aziz.

UNITED KINGDOM

Great Britain

June 12—Prime Minister Margaret Thatcher defeats Labour leader Neil Kinnock in today's general election, becoming the first Prime Minister in this century to win 3 consecutive terms.

June 13—Prime Minister Thatcher announces a shake-up in her Cabinet; Cecil Parkinson becomes Secretary of State for Energy and Conservative party leader Norman Tebbit resigns.

June 25—The Conservatives reveal their domestic legislation program, calling for changes in education, inner-city redevelopment, local taxes, housing and trade unions.

UNITED STATES

Administration

June 2—President Ronald Reagan names Alan Greenspan to succeed Paul Volcker as chairman of the Federal Reserve Board.

June 3—Secretary of Transportation Elizabeth Dole advises Congress that her department plans to add 955 more air traffic controllers and supervisors in the next year to handle increased traffic loads.

The Environmental Protection Agency (EPA) adopts new national standards for clean air effective today; this is its 1st revision since 1971.

June 4—To settle the Securities and Exchange Commission's (SEC) civil charges of insider trading and profit taking, Kidder, Peabody & Company pays a fine of \$13.7 million, the largest fine ever paid by a securities dealer.

June 5—Secretary of Health and Human Services Otis Bowen announces plans to test some 45,000 randomly selected voluntary participants nationwide for acquired immune deficiency syndrome (AIDS).

President Reagan names Federal Express executive T. Allan McArdor as head of the Federal Aviation Administration (FAA) to succeed the resigned Donald Engen.

June 8—Attorney General Edwin Meese 3d announces new federal programs to combat AIDS; federal prisoners and immigrants are to be tested for the virus.

June 11—Dole announces that as a safety measure the FAA has instituted reductions in air traffic at peak periods in the nation's busiest air corridors.

The Nuclear Regulatory Commission denies requests from the Shoreham and Seabrook nuclear power plants to be permitted to increase their power outputs.

June 16—The Justice Department says it will advise President Reagan to veto as unconstitutional any extension of the 1978 Ethics in Government Act regarding the creation of a special prosecutor.

June 17—President Reagan names law professor David S. Ruder to replace John Shad as chairman of the SEC.

The General Accounting Office says that in a recent FAA test of airport security, in 20 percent of the cases, weapons were not detected.

June 26—President Reagan has 2 small benign polyps removed from his colon during a routine medical checkup at the White House.

Economy

June 5—The Labor Department reports that the U.S. unemployment rate remained at 6.2 percent in May.

June 12—The Labor Department reports that its producer price index rose 0.3 percent in May.

The Commerce Department reports that the nation's foreign trade deficit declined slightly to \$13.3 billion in May.

June 17—The Commerce Department issues a revised report: the nation's gross national product (GNP) rose at an annual rate of 4.8 percent in the 1st quarter of 1987.

June 23—The Labor Department reports that its consumer price index rose 0.3 percent in May.

June 25—The New York Stock Exchange's Dow Jones Industrial Average of 30 blue-chip stocks closes at a new high of 2,451.05.

June 30—The Commerce Department reports that its index of leading economic indicators rose 0.7 percent in May.

Foreign Policy

(See also *Int'l, Economic Summit, NATO, U.N.; Angola; Chile; Costa Rica; Germany, West; Greece; Israel; Lebanon; Nicaragua; U.S.S.R.*)

June 2—The Defense Department announces that a small U.S. Navy fleet will sail for the Persian Gulf at the end of this week.

President Ronald Reagan notifies Congress that he is giving most-favored-nation trade status to Romania, Hungary and China.

June 3—President Reagan arrives in Venice for the 7-nation economic summit.

June 5—Referring to President Reagan's plan to put 11 Kuwaiti tankers under the U.S. flag, Chairman of the Joint Chiefs of Staff Admiral William Crowe says, "There are no guarantees that such an operation will be casualty-free, or that Iran will not escalate the sea war."

June 6—President Reagan meets with Pope John Paul II at the Vatican and suggests that wealthier nations should share with less fortunate ones.

June 8—President Reagan meets in Venice with Japanese Prime Minister Yasuhiro Nakasone and announces the lifting of some recently imposed U.S. tariffs on Japanese electronic exports to the U.S.

June 10—The administration informs Congress that the U.S. will continue to supply covert military aid to UNITA, the rebel force in Angola supported by South Africa; so far this year, the U.S. has supplied \$15 million worth of military aid to the rebels.

June 11—President Reagan withdraws his proposal to sell 1,600 Maverick air-to-ground missiles to Saudi Arabia.

June 12—In a speech at the Berlin Wall, President Reagan

suggests that Soviet General Secretary Gorbachev raze the Berlin Wall to show his commitment to the "cause of freedom and world peace."

June 13—Secretary of State George Shultz arrives in the Philippines, but does not promise that country any U.S. economic aid.

June 15—In a nationally televised broadcast, President Reagan explains his plans for a more active U.S. role in the Persian Gulf; he says that "If we don't do the job the Soviets will . . . and that will jeopardize our own national security and that of our allies." He also claims that the U.S. came away from the Venice summit "with everything we had hoped to accomplish."

June 17—President Reagan meets with Costa Rican President Oscar Arias Sánchez in Washington, D.C., and tells him he has many reservations about the proposed Costa Rican peace plan for Central America.

June 18—President Reagan sends a letter to South Korean President Chun Doo Hwan urging Chun to deal cautiously with political unrest in South Korea.

June 19—Speaking to the ASEAN ministers in Singapore, Shultz says the members should not expect a reduction in the U.S. trade deficit to lead to increased U.S. markets for ASEAN exports.

The administration announces that Saudi Arabia's King Fahd has agreed to permit U.S. intelligence planes based in his country to expand their patrol coverage of the Persian Gulf.

June 26—Defense Secretary Caspar Weinberger begins 2 days of talks with Japanese officials over military and economic issues; they discuss possible U.S.-Japanese cooperation in building new military jet aircraft.

Labor and Industry

June 11—The nation's air traffic controllers vote 7,494 to 3,275 to form a new union to be called the National Air Traffic Controllers Association.

June 14—The Ford Motor Company announces plans to sell its interests in South Africa in a complex deal that will give its mostly black working force a large share of the company.

June 16—Citibank announces a decision to withdraw its operations from South Africa.

June 22—The Justice Department withdraws an indictment against General Dynamics Corporation for defense fraud after discovering additional documents in U.S. Army files showing that the company acted properly in its billing procedures.

Legislation

June 2—The Senate votes 96 to 0 to require immigrants to be tested for the AIDS virus and to be excluded from the U.S. if the virus is present.

June 3—The House votes 302 to 102 to approve a bill requiring broadcasters to present diverse views on controversial topics; the Senate approved an identical measure in April, voting 59 to 31.

June 20—President Reagan vetoes the fairness-in-broadcasting legislation.

June 23—The House votes 215 to 201 to approve a \$1-trillion budget for fiscal 1988; military spending would remain at \$289 billion and new taxes would be called for to raise \$19.3 billion.

The Senate votes 53 to 46 for the \$1-trillion fiscal 1988 budget.

Military

June 12—The U.S. Marine Corps announces the dropping of espionage charges against Corporal Arnold Bracy, a guard at the U.S. Embassy in Moscow, for lack of evi-

dence; similar charges were dropped against Sergeant Clayton Lonetree, who still faces court martial on additional espionage charges.

June 13—According to a congressional report released today, Captain Glenn Brindel was in his stateroom when the U.S.S. *Stark* was hit by Iraqi missiles.

June 16—The Defense Department reports to Congress that naval forces in the Persian Gulf are operating under hair-trigger rules of defense engagement.

June 19—The Defense Department announces that Captain Brindel and 2 senior officers of the *Stark* have been relieved of their duties by area commander General George Crist "based on his lack of confidence" in them.

Political Scandal

June 2—In testimony before the joint congressional investigating committee, Assistant Secretary of State for Inter-American Affairs Elliott Abrams admits that testimony he gave the committee last fall was "misleading."

June 3—Albert Hakim, a business partner of Major General Richard Secord's, tells the committee that he has set up a \$200,000 fund for the personal use of Lieutenant Colonel North and his family and has discussed the matter with North's wife, Betsy.

June 4—Hakim testifies that he believes that North knew of the secret \$200,000 bank account Hakim established under Hakim's will.

The committee votes to grant limited immunity from prosecution to North.

June 8—Testifying before the committee, North's secretary, Fawn Hall, says that she altered some documents, aided in the destruction of others and clandestinely removed still others from the White House; the shredding and altering were done on instructions from North.

Novice lawyer Bretton Sciaroni says he advised President Reagan that he believed the congressional ban on aid to the Nicaraguan contras did not apply to the National Security Council; Sciaroni said he conducted an "ineffective" legal search and had been misled by North and others.

June 9—The Iran-contra hearings recess for 2 weeks.

Secretary Shultz says he supports Abrams from "top to bottom."

June 15—The U.S. Court of Appeals for the District of Columbia orders Michael Deaver, former aide to President Reagan, to stand trial on perjury charges.

June 17—North refuses to agree to private testimony before testifying publicly before the Senate-House committee.

June 23—The joint congressional committee looking into the Iran-contra affair resumes its hearings; retired Central Intelligence Agency (CIA) officer Glenn Robinette tells the committee that he prepared false bills for \$13,900 to pay for a security system at North's home; at least some of the money came from the proceeds of the Iran arms deal.

June 25—Assistant Attorney General Charles Cooper tells the congressional committee how 3 senior officials, North, National Security Adviser Admiral John Poindexter and CIA Director William Casey, conspired to give erroneous testimony to the committee.

June 26—According to a transcript released today by the congressional committee, CIA director Casey misled and consistently lied to the committee in closed-door testimony on November 21, 1986; in particular, he called a cargo of Hawk anti-aircraft missiles shipped to Iran oil-drilling equipment.

June 30—North hands over personal documents to the committee.

Politics

June 9—Senator Joseph Biden (D., Del.) announces his candidacy for the Democratic nomination for President in 1988.

Science and Space

June 18—In a report to the National Heart, Lung and Blood Institute, researchers at the University of Southern California give the first "clear evidence" that large reductions in blood cholesterol levels will slow and may even cause remission in the clogging of heart arteries.

Supreme Court

June 1—In a 5-4 decision the Court upholds a Maine law requiring companies to pay severance pay to workers laid off in plant closings under certain specific conditions.

In a 6-3 decision, the Court upholds the National Labor Relations Board's practice of requiring companies buying the assets of or taking over a failed business to recognize a bargain with the union representing the failed company's employees.

June 8—Overruling a lower court, the Court rules 5 to 4 that securities firms may block fraud suits by customers in U.S. courts, using the standard agreements that send such suits to arbitration.

June 9—The court rules 6 to 3 that government agencies depriving property owners of the reasonable use of their land must provide compensation to the owners.

June 15—In a 5-4 decision, the Court reverses a lower court ruling and bars the use of "victim-impact statements" in death sentence decisions as "irrelevant to a capital sentencing decision."

Upholding a lower court, the Court rules 8 to 1 that individuals may "verbally oppose or challenge police actions" as long as the action does not become "physical obstruction."

June 19—Voting 7 to 2, the Court holds unconstitutional a 1981 Louisiana law that requires public schools teaching evolution theory to teach "creation science." Also, the Court holds that the "preeminent purpose of the Louisiana legislature was clearly to advance" a religious viewpoint.

In a 6-3 decision, the Court rules that accused child molesters have no constitutional right to be present at a hearing on the child's competence to testify.

June 22—In overturning a lower court decision, the Court rules 5 to 4 that criminal defendants' testimony recalled after hypnosis cannot be completely barred from use in court.

The Court refuses a case challenging a Federal Reserve Board ruling allowing banks to raise money for companies by selling commercial paper in the form of short-term debt.

June 24—In a 7-2 decision, the Court overrules a lower court and narrows the bounds under which "mail fraud" can be used as a prosecution weapon to convict people for

defrauding "individuals, the people or government of intangible rights such as the right to have public officials perform their duties honestly."

June 25—In two 5-4 decisions, the Court rules that military personnel cannot sue superior officers for damages and that they may be court-martialed for crimes not related to their military duties.

The Court ends its 1986-1987 term.

June 26—Associate Justice Lewis F. Powell Jr. announces his retirement for reasons of age and health.

VATICAN

(See also *U.S., Foreign Policy*)

June 8—For the first time since 1983, Pope John Paul II visits his native Poland. In a meeting with Polish leader General Wojciech Jaruzelski, the Pope urges Jaruzelski to respect human rights and religious freedom.

June 10—Speaking before 2 million people at a mass in Cracow, the Pope asks for the restoration of the farmers' union, Rural Solidarity.

June 11—Pope John Paul II visits Gdansk, birthplace of the outlawed Solidarity movement, and meets with Solidarity leader Lech Walesa. In a speech, the Pope cites Solidarity as a model for human rights.

June 14—In Warsaw, Pope John Paul II says that the Vatican would like to establish diplomatic relations with Poland if the Polish government allowed local bishops to pursue political freedom.

June 25—Pope John Paul II receives Austrian President Waldheim; the announcement of Waldheim's visit has provoked worldwide protests from Jewish organizations because of his alleged involvement in Nazi war crimes.

VENEZUELA

June 16—Government officials say that 9 national guardsmen were killed last week after being ambushed by drug dealers near the Colombian border.

VIETNAM

June 18—Prime Minister Pham Van Dong and President Truong Chinh, the last remaining contemporaries of Ho Chi Minh in high office, were removed today from power by the National Assembly.

YUGOSLAVIA

June 27—A group of about 1,000 Serbs and Montenegrins, protesting against alleged mistreatment by ethnic Albanians in Kosovo province, clash with police in Belgrade.

ZIMBABWE

June 21—In protest of Zimbabwean Prime Minister Robert Mugabe's support of Mozambique's present government, members of the Mozambique National Resistance kill 11 people in a small village in northeastern Zimbabwe.

July, 1987

INTERNATIONAL

Arms Control

July 22—Soviet General Secretary Mikhail Gorbachev, in a newspaper interview, says that the U.S.S.R. is prepared to dismantle 100 intermediate-range missiles in Asia; Moscow's insistence on keeping these missiles has been a major obstacle in the current arms-control talks in Geneva.

July 23—In a special meeting with U.S. negotiators at Geneva, the Soviet Union presents a plan by General Secretary Gorbachev calling for worldwide elimination of all U.S. and Soviet short- and medium-range missiles.

July 28—The U. S. presents its own plan to Soviet negotiators in Geneva for elimination of all U.S. and Soviet short- and medium-range missiles.

The U.S. announces that Soviet Foreign Minister Eduard Shevardnadze and U.S. Secretary of State George Shultz will meet in September to discuss differences on an arms-control agreement.

July 29—In Geneva, the Soviet Union offers a proposal involving reductions in its long-range missile arsenal in exchange for limits on American SDI (Strategic Defense Initiative) research.

July 31—The Soviet Union proposes a draft agreement that would reduce U.S. and Soviet long-range nuclear missiles by one-half; the Soviets continue to insist that the U.S. abandon its SDI deployment plans.

Iran-Iraq War

(See also *Intl, UN*)

July 15—Iran threatens to attack any Persian Gulf ports that allow entry to the U.S. warships that will provide escorts for Kuwaiti tankers.

July 28—A Syrian fighter flying over Iraqi airspace is downed by Iraqi anti-aircraft batteries.

North Atlantic Treaty Organization (NATO)

July 10—The 16 NATO countries submit a proposal for new talks on European security and arms reduction to the 35 members of the Conference on Security and Cooperation in Europe.

Organization of African Unity (OAU)

July 31—The 50 members of the OAU end their 23d annual conference with little of practical value accomplished; only 20 heads of state attended the conference.

United Nations (UN)

July 10—The UN Conference on Trade and Development opens its 7th ministerial-level meeting in Geneva; more than 150 rich and poor nations are represented.

July 20—The UN Security Council votes unanimously for a resolution to order a cease-fire in the Iran-Iraq war; Iran has said it would ignore the resolution as worthless.

AFGHANISTAN

(See also *Pakistan*)

July 15—Afghanistan is accused by Pakistan's President Mohammad Zia ul Haq of being responsible for the two car-bombings in Karachi that killed 72 people and wounded 250 others.

ALGERIA

July 5—Algeria begins an 11-day celebration of its 25th anniversary of independence from France.

ANGOLA

(See *South Africa; Zaire*)

AUSTRALIA

July 11—Prime Minister Robert Hawke wins reelection in today's voting; this is the first time that the Labor government has won 3 successive elections.

BANGLADESH

July 22—During a general strike, protesters calling for the resignation of President H. M. Ershad clash with riot police in Dacca; at least 50 people are reported wounded.

July 24—Opposition leaders end the 54-hour general strike; at least 2 people died and 100 were wounded in violence during the strike.

July 25—President Ershad replaces the secretary general of his Jatiya party, Mahmudul Hasan, with Shah Moazzam Hussain, the country's information minister.

CANADA

July 13—Canadian officials seize a boat believed to have been used to land 174 Sikh refugees illegally in Nova Scotia.

July 15—Immigration officials learn that a second boat suspected of being used in the illegal landing of the Sikh refugees has been found abandoned in Miami, Florida.

July 20—In today's by-elections, the left-wing New Democratic party wins 2 seats from the Tories.

CUBA

July 25—In an extensive media campaign, the Cuban government accuses United States diplomats of espionage and plotting the assassination of President Fidel Castro.

EGYPT

July 20—Foreign Minister Esmat Abdel-Meguid visits Jerusalem and asks the Israelis to participate in an international Middle East peace conference.

EL SALVADOR

July 16—Six Americans, on a flight to aid a wounded U.S. military adviser, are killed in a helicopter crash northeast of San Salvador.

FRANCE

(See also *Algeria; South Africa; Switzerland*)

July 4—A French court finds Klaus Barbie, the Gestapo chief of Lyons during World War II, guilty of crimes against humanity and sentences him to life imprisonment.

July 15—A flash flood kills at least 19 people at a campground in the French Alps.

July 17—France breaks diplomatic relations with Iran; relations have deteriorated since French police surrounded the Iranian embassy in the last 3 weeks to prevent the escape of a terrorist suspected of bomb attacks in France last year.

July 21—France announces that it will provide a naval escort for 2 of its tankers scheduled to sail into the Persian Gulf this week.

GERMANY, EAST

(See *Germany, West*)

GERMANY, WEST

July 6—President Richard von Weizsäcker arrives in Moscow for the start of a 6-day visit to the U.S.S.R.; Weizsäcker is the first West German President to visit the Soviet Union in 12 years.

July 8—A gasoline truck explodes after crashing into an ice cream parlor in Herborn; 30 people are killed and 29 are reported injured.

July 16—West German officials announce that East German leader Erich Honecker will visit in September and will be given honors accorded to a head of state.

July 25—A West German embassy official says that Mathias Rust, the pilot who landed his plane in Red Square, will be tried in a Soviet court.

HAITI

July 2—The military government decides to restore control of elections to an independent civilian council.

July 24—In a remote provincial town, at least 50 people are killed in a clash between peasants and sharecroppers in a dispute over land reform.

July 29—During a protest in Port-au-Prince against the outlawed Tontons Macoute militia, soldiers fire into the crowd of demonstrators, killing at least 8 people.

HUNGARY

July 20—The government institutes a new set of price increases on consumer goods.

INDIA

(See also *Canada; Sri Lanka*)

July 7—Gunmen thought to be Sikh militants hijack a bus in Punjab and open fire on the passengers; at least 38 Hindu passengers are killed and 20 others are wounded.

- July 8—In the northern state of Haryana, 34 bus passengers are killed in an attack by Sikh separatists.
- July 16—The government says that India's Vice President, Ramaswamy Venkataraman, has been elected as President by the Parliament and 25 state legislatures.
- July 19—Prime Minister Rajiv Gandhi expels former Finance Minister Vishwanath Singh from the Congress (I) party for carrying out "antiparty activities."

IRAN

(See *Intl, Iran-Iraq War, UN; France; Saudi Arabia; U.S., Foreign Policy, Political Scandal*)

IRAQ

(See also *Intl, Iran-Iraq War, UN; U.S., Foreign Policy*)

- July 12—According to diplomatic sources, Iraq has leveled at least 100 Kurdish villages just inside its border with Iran in a campaign that started in March; the Kurds, who want more autonomy within Iraq, have been receiving aid from Iranian sources.
- July 27—Iraqi Foreign Minister Tariq Aziz says that Iraq will resume its attacks on Iranian shipping if Iran does not end the war.

ISRAEL

(See also *Egypt; U.S.S.R.*)

- July 8—The Knesset rejects 3 bills that attempt to rephrase the definition of who is a Jew for immigration purposes.
- July 21—According to an independent report, Israel has completed successful tests of an intermediate-range ballistic missile with a 500-mile range that has the potential to carry a nuclear warhead.

ITALY

- July 13—President Francesco Cossiga asks Treasury Minister Giovanni Gorla to serve as Prime Minister.
- July 17—The Supreme Court of Cassation, Italy's highest court, annuls arrest warrants against 3 Vatican bank officials accused of fraudulent complicity in the collapse of Banco Ambrosiano.
- July 19—Floods and landslides kill 19 people in the Alpine areas of northern Italy.
- July 28—Gorla tells President Cossiga that he has formed a coalition government.

JAPAN

(See also *U.S., Foreign Policy*)

- July 14—Speaking before Parliament, Prime Minister Yasuhiro Nakasone accuses Toshiba Machine Company of betraying the Japanese people by selling defense technology to the U.S.S.R.
- July 29—An appellate court upholds the bribery conviction of former Prime Minister Kakuei Tanaka.

KOREA, NORTH

- July 23—The North Koreans propose joint troop reductions by North and South Korea; the plan calls for phased reductions continuing until 1992 and the withdrawal of U.S. troops from South Korea.

KOREA, SOUTH

(See also *Korea, North*)

- July 1—In a nationally televised address, President Chun Doo Hwan endorses the constitutional changes, including direct presidential elections, that were proposed by Democratic Justice party leader Roh Tae Woo on June 29.
- July 2—Roh Tae Woo pays an unannounced visit to opposition leader Kim Young Sam; the two discuss constitutional reforms.

- July 8—In the largest protest in South Korea since 1960, more than 100,000 people demonstrate in Seoul in honor of a student killed in a demonstration last month.

The government restores the political rights of over 2,000 political offenders, including opposition political leader Kim Dae Jung.

- July 13—The Prime Minister and 8 other Cabinet members, who are also members of the Democratic Justice party, are replaced by President Chun with new appointees who are not members of the ruling party.

KUWAIT

(See *U.S., Foreign Policy, Legislation*)

LEBANON

(See *Switzerland*)

MOZAMBIQUE

(See also *U.S., Foreign Policy*)

- July 9—The Mozambican government rejects the finding of an international board of inquiry, which reports that errors by the flight crew caused the fatal crash of President Samora Machel's plane last October.
- July 21—The government accuses Renamo, an antigovernment guerrilla movement, of the massacre of 380 civilians at the coastal town of Homoine.

NAMIBIA

(See *South Africa*)

NICARAGUA

(See *U.S., Political Scandal*)

NIGERIA

- July 1—President Ibrahim Babangida announces a 5 year plan to restore civilian rule to the country.

PAKISTAN

(See also *U.S., Administration, Foreign Policy*)

- July 14—No groups take responsibility for 2 car-bomb blasts that killed 72 people and wounded 250 in Karachi.
- July 15—President Mohammad Zia says that "agents opposed to Pakistan's policy" of support for Afghan rebels are responsible for yesterday's bombings.

PANAMA

(See also *U.S., Foreign Policy*)

- July 3—A general strike is called by business leaders after a commercial complex is burned in the capital; the leaders have accused the government of setting fire to the complex, which is owned by a family opposed to the military-backed regime in power.
- July 27—Retired Colonel Roberto Díaz Herrera, an outspoken critic of the government, is arrested along with 44 other people, after his home is stormed by government troops.

PHILIPPINES

- July 16—In a special antigraft court in Manila, the government files a \$22.6-billion civil suit against former President Ferdinand Marcos, seeking recovery of stolen funds; the suit is expected to strengthen the government's claims against Marcos in Switzerland.
- July 27—The first National Congress since the ouster of former President Marcos opens in Manila.

PORTUGAL

- July 19—The ruling Social Democratic party gains a clear majority in Parliament as a result of today's national elections; this is Portugal's first majority government since the restoration of democracy in 1974.

SAUDI ARABIA

(See also *U.S., Foreign Policy*)

July 31—At least 400 people are killed as Iranian pilgrims riot in Mecca.

SOUTH AFRICA

July 16—South Africa announces that it has withdrawn its ambassador-designate to France; France had rejected the envoy's diplomatic credentials to protest the imprisonment of a French teacher in a black South African homeland.

July 24—After 3 days of arrests, South African police have either detained or charged with treason 22 leaders of the United Democratic Front, the country's largest anti-apartheid group.

July 28—South African-backed security forces in Namibia claim to have killed 190 Angolan and black nationalist troops in a battle last weekend in southern Angola.

July 30—The government blames the African National Congress for a bomb explosion outside a military barracks in Johannesburg today that wounded 70 people.

SRI LANKA

(See also *India*)

July 6—The government reports that 20 soldiers were killed after Tamil separatists blew up an army camp on the Jaffna peninsula.

July 24—Sources in Sri Lanka and India say that the Tamil separatists have reached a preliminary agreement with the Sri Lankan government that would give regional autonomy to the Tamils.

July 27—At least 19 people are killed during violent demonstrations in Colombo; most of the protesters were members of the nation's Sinhalese majority and were opposed to the proposed accord with India.

July 29—Despite continuing protests across Sri Lanka, the leaders of Sri Lanka and India sign an accord designed to end the four years of ethnic violence in Sri Lanka between the Tamils and the Sinhalese.

July 30—In northern Sri Lanka, the first 3,000 troops of the Indian peace-keeping force arrive.

SUDAN

July 26—The government declares a new state of emergency, blaming poor economic conditions within the country and the four-year civil war; the previous state of emergency was instituted in 1985.

SWITZERLAND

(See also *Philippines*)

July 24—The cabin crew of an Air Afrique jet flying from the Congo to Paris captures a Lebanese hijacker while the plane is on the tarmac at Cointrin airport in Geneva; the hijacker killed one French passenger and wounded a steward.

July 25—The Swiss government says that the captured Lebanese hijacker will stand trial on charges of air piracy and murder.

SYRIA

(See *U.S.S.R.; U.S., Foreign Policy*)

TAIWAN

July 14—The Nationalist government lifts martial law for the first time in 38 years, citing the move as a "new milestone" in democracy.

TURKEY

July 9—According to a Turkish news agency, Kurdish rebels attacked 2 villages in the southeast of Turkey yesterday, killing 28 people.

U.S.S.R.

(See also *Intl, Arms Control; Germany, West; Japan; U.S., Foreign Policy*)

July 2—Nazi war criminal Karl Linnas, deported to Estonia by the U.S. in April to face a death sentence, dies in a Leningrad hospital of kidney and heart disease.

July 3—According to Leonid Abalkin, a leading Soviet economist, the U.S.S.R. will shift as many as 20 million workers from the industrial and agricultural sectors to the service sector by the year 2000.

July 13—The first official Soviet delegation to visit Israel in 20 years arrives in Tel Aviv.

July 22—Two cosmonauts, along with Syria's first man in space, are launched today in a Soyuz spacecraft heading for the U.S.S.R.'s orbiting space station Mir.

July 25—In a loud public protest near the Kremlin wall, a group of 300 Tatar nationalists call for the right to return to the Crimea from central Asia.

July 27—Tass reports that Feodor Fedorenko, a former Nazi death-camp guard who was deported to the Soviet Union from the U.S. in 1984, has been executed.

July 29—After a 3-week trial, the former head of the Chernobyl nuclear power station and 2 of his aides are found guilty of violating safety regulations and sentenced to 10 years in a labor camp.

UNITED KINGDOM

Great Britain

July 17—Prime Minister Margaret Thatcher makes a one-day visit to Washington.

July 24—Novelist and former politician Jeffrey Archer wins a record award of \$800,000 in his libel case against a London tabloid, the *Star*.

July 30—In a ruling from the law committee of the House of Lords, a press ban is upheld on the memoirs of retired intelligence agent Peter Wright.

July 31—Britain rejects a request from the United States for British minesweepers to help protect tankers in the Persian Gulf.

UNITED STATES

Administration

July 10—The Commerce Department issues regulations giving the Defense and State Departments veto rights over the licensing of private ownership of satellites capable of making high resolution photos.

July 13—The U.S. Education Department is notifying some 1 million student loan defaulters who owe some \$5.9 billion that they must pay by October 1 or pay both the loan and the collection costs.

July 14—Pakistani Arshad Pervez is arrested on charges of trying to export 25 tons of special alloy steel to Pakistan; the steel could be used in making nuclear weapons.

July 21—The Occupational Safety and Health Administration announces preparations to fine IPB Inc., the nation's largest meatpacker, \$2.59 million for failure to report 1,038 job-related injuries in the period of January, 1985, through December, 1986.

July 24—President Ronald Reagan nominates U.S. district court Judge William Steele Sessions to be director of the Federal Bureau of Investigation (FBI).

July 25—The FBI reports that the nation's crime index rose 6 percent in 1986 with a total of 13.2 million reported crimes.

July 26—Commerce Secretary Malcolm Baldrige is killed in a horseback riding accident.

July 30—President Reagan proposes new regulations that

would ban family planning clinics that counsel clients about abortion from receiving federal funding.

Director of the Arms Control and Disarmament Agency Kenneth Adelman announces his resignation, effective in October.

July 31—President Reagan goes to Bethesda Naval Hospital to have a cancerous skin growth removed from his nose.

The President returns to the White House after surgery, which did not require a skin graft to close the incision.

Civil Rights

July 23—Assistant Attorney General William Bradford Reynolds announces that the Justice Department is suing an integrated housing complex in Chicago for violating the Fair Housing Act of 1968 because it selects tenants by considering racial quotas.

Economy

July 2—The Labor Department reports that the nation's unemployment rate fell slightly to 6 percent in June.

July 10—The Labor Department reports that its producer price index rose 0.2 percent in June.

July 15—The Commerce Department reports that the nation's foreign trade deficit increased to \$14.4 billion in May.

July 17—The New York Stock Exchange's Dow Jones Industrial Average of 30 blue-chip stocks closes over 2,500 for the 1st time, closing at 2,510.04.

July 22—The Labor Department reports that its consumer price index rose 0.4 percent in June.

July 24—The Commerce Department reports that the nation's gross national product (GNP) grew at a 2.6 percent annual rate in the 2d quarter of 1987; the department revises the 1st quarter growth downward to a 4.4 percent annual rate.

July 30—The Dow Jones Industrial Average closes at a new record high of 2,567.44.

The Commerce Department reports that its index of leading economic indicators rose 0.8 percent in June.

July 31—The Dow Jones Industrial Average closes out the month at a new record high for the 4th straight day of 2,572.07 and a gain of 86.74 for the week.

The Commerce Department reports a 1.7 percent gain in factory orders for June and says that orders for durable goods rose 6.3 percent in the 2d quarter of 1987, the greatest rise in 3 years.

Foreign Policy

(See also *Intl, Arms Control; Cuba; El Salvador; Korea, North; U.S.S.R.; United Kingdom; Zaire*)

July 1—The State Department protests "in the strongest possible terms" that the Panamanian government of General Manuel Antonio Noriega had "unmistakable involvement" in the organization of recent demonstrations yesterday against the U.S. embassy in Panama.

July 5—White House chief of staff Howard Baker Jr. says that the U.S. might "take a fresh look" at the UN Security Council Resolution calling for withdrawal of both U.S. and Soviet naval forces from the Persian Gulf area.

July 6—White House and State Department spokesmen say that Baker erred in his statement yesterday and that there can be no complete withdrawal of U.S. naval forces from the Persian Gulf even if Soviet forces pull out.

UN Ambassador Vernon Walters arrives in Syria on a visit designed to improve U.S.-Syrian relations.

July 12—The State Department admits to holding recent low-level talks with representatives of the National Resistance Movement (Renamo), the rebel group resisting the Marxist government of Mozambique.

July 15—The State Department asks Pakistan for an expla-

nation of the efforts of Pakistani businessman Arshad Pervez to acquire U.S. materials for making nuclear weapons illegally.

July 16—Japanese Trade Minister Hajime Tamirra meets with Commerce Secretary Malcolm Baldrige in Washington, D.C., and agrees that Japan will enforce stricter controls on the sale of sensitive technology to countries hostile to the U.S.

July 19—The Kuwaiti Defense Ministry reports that U.S., Saudi Arabian and Kuwaiti specialists have finished clearing mines supposedly laid by Iran in the main channel to Al Ahmadi, Kuwait's main oil terminal.

July 20—Kuwaiti Prime Minister Sheik Saad al-Abdullah al-Sabah says of the Kuwaiti tankers now registered under the U.S. flag, "These are American vessels."

July 21—Three U.S. warships escort 2 reflagged Kuwaiti tankers toward the Strait of Hormuz and the Persian Gulf.

July 23—The State and Defense Departments announce the suspension of U.S. aid to Panama to show U.S. displeasure with Panama's government; aid will be suspended until reparations are made for supposedly Panamanian government-inspired damage to the U.S. embassy on June 30.

July 24—The *Bridgeton*, a Kuwaiti tanker under U.S. escort, strikes a mine just west of an Iranian island in the Persian Gulf, causing limited damage; Iran denies responsibility for the incident.

July 26—Secretary of Defense Caspar Weinberger warns that the U.S. is "perfectly capable" of retaliating against any group mining waters in the Persian Gulf in the path of the reflagged Kuwaiti tankers and that the U.S. will increase its minesweeping operations to counter such threats.

July 27—Secretary of State George Shultz meets in Washington, D.C., with Iraqi Foreign Minister Tariq Aziz, and asks him to restrain Iraq from any new offensive moves in the war.

The Defense Department orders 8 minesweeping helicopters flown by cargo plane to the Persian Gulf to aid in minesweeping operations there.

July 31—President Reagan meets in the White House with Gabon's President Omar Bongo; he promises Bongo that he will try to get greater U.S. investments in Gabon.

The Defense Department announces that the U.S. will send some of its small 57-foot minesweepers to the Persian Gulf. Until now, U.S. allies have refused to provide larger minesweepers of their own to aid the U.S.

Former chairman of the Joint Chiefs of Staff General John Vessey Jr. heads a delegation to Hanoi that will start negotiations on August 1 over the some 2,400 U.S. servicemen (MIA's) missing in action from the Vietnam war.

Labor and Industry

July 6—The Occupational Safety and Health Administration fines the Chrysler Corporation \$1.5 million for job safety and health violations at its assembly plant in Newark, Delaware.

July 23—The Ford Motor Company posts record profits of \$1.5 billion in the 2d quarter of 1987; General Motors Corporation posts profits of \$980.3 million.

Legislation

July 1—In a voice vote, the Senate passes a \$9.4-billion spending bill making additional appropriations for the last 3 months of fiscal 1987.

July 8—The House votes 222 to 184 for a measure calling for a 90-day delay in putting Kuwaiti tankers in the Persian Gulf under U.S. flags.

July 16—200 members of Congress convene in Philadelphia to mark the 200th anniversary of the compromise on July 16, 1787, that created the present Congress.

- July 22—The House votes 302 to 127 to expand Medicare benefits to provide a shield for catastrophic illness costs for 31 million elderly and disabled persons.
- July 23—President Reagan signs a bill providing some \$1 billion in emergency aid for the nation's homeless; the bill provides emergency housing, health care and educational services over the next 2 years.
- July 29—The House votes 263 to 155 to approve and the Senate approves in a voice vote a 1-week extension of the national debt ceiling in order to permit the government to continue to borrow money.

Military

- July 27—Captain Glenn Brindel of the U.S.S. *Stark* resigns from the service to avoid a court-martial; 2 other senior officers are also permitted to resign.

Political Scandal

- July 6—The joint congressional committee resumes the Iran-contra hearings with closed-door testimony.
- July 7—Lieutenant Colonel Oliver North testifies and says that his superiors, including (he assumed) President Reagan, were fully aware of his secret operations, which were only conducted by orders of his superiors.
- July 8—North tells the investigating panel that Central Intelligence Agency (CIA) director William Casey helped plan and run the secret aid program to the contras and that "although they may deny it" many other senior government officials were fully cognizant of what was taking place.
- July 9—North testifies that he was shredding documents in his office while Justice Department officials were conducting an investigation in an office only 10 feet away. He also says that Casey was the mastermind of an attempt to cover up the plan for aid to the contras.
- July 10—North tells the panel that Casey wanted to use profits from the Iran arms deal to finance "off-the-shelf, self-sustaining, stand-alone" intelligence operations.
- July 13—President Reagan again insists that he was never informed of any plans to use profits from the Iran arms deal to finance secret operations; presidential spokesman Marlin Fitzwater says President Reagan said "he had never been briefed on the diversion of funds or any excess funds."

North claims that plans to make him the "fall guy" were discussed with Casey as early as 1984.

- July 14—North finishes his testimony that states that he was "driven by a series of lies. . . ."

Former National Security Adviser Robert McFarlane resumes his testimony and disagrees on key points with North.

- July 15—Fired National Security Adviser Rear Admiral John Poindexter tells the panel that it was his decision to use the profit from the Iran arms deal for the contras and not to inform the President, "although I was convinced that we could do it properly and that the President would approve it if asked"; he believed that we could "provide some future deniability for the President if it ever leaked out."

White House spokesman Marlin Fitzwater reports President Reagan's pleasure that Poindexter supported his contention that he knew nothing of the diversion of funds.

- July 16—The perjury trial of former presidential adviser Michael Deaver is postponed for at least 3 months by U.S. district court Judge Thomas Jackson.

Former senior political adviser to President Reagan Lyn Nofziger is indicted by a federal grand jury in Washington, D.C., on conflict-of-interest charges.

Poindexter testifies that on his resignation as National Security Adviser last November, neither Edwin Meese 3d,

nor presidential chief of staff Donald Regan nor President Reagan asked him who had approved the diversion of funds in the Iran arms deal.

- July 20—Poindexter says that North sent him only 1 note, not 5, regarding the funds diversion. He says that "frankly I don't think those existed. . . . I don't know what Colonel North is talking about. . . ."

- July 21—Poindexter completes his testimony and again affirms that covert operations must be kept secret from Congress and government agencies.

- July 23—Secretary of State George Shultz, saying that he had tried to resign 3 times, tells the panel that he was repeatedly lied to and deceived about the Iran arms deal by FBI director William Casey and by Poindexter; he also claims that when he told President Reagan about plans to free terrorists held by Kuwait, "the President was stunned and he was furious."

Attorney General Edwin Meese 3d appears before the panel; he defends his department's investigation into the Iran arms deal last November and says he had no reason to doubt what Casey, North and Poindexter told him.

- July 29—Meese tells the panel that either North must have lied to him or lied in his sworn testimony before the joint congressional investigating panel.

- July 30—Former presidential chief of staff Donald Regan tells the Iran-contra panel that President Reagan felt that the Iranians continually "snookered" him and made him believe he could get the hostages released by continuing to supply arms; Regan also said that key information about the deal was withheld from him, and that he and President Reagan were misled by Poindexter.

- July 31—Defense Secretary Caspar Weinberger tells the congressional panel that he had opposed the Iran arms deal and thought he had stopped it several times before he found out in the fall of 1985 that the deal was continuing; Weinberger says he was excluded by the White House from receiving further information about the deal and used private sources to get information about details of the negotiations.

It is reported by *The New York Times* that, on July 29, Israel gave the joint congressional committee a 60-page chronology of its 1985 role in the Iran-contra affair; the chronology is being kept secret by agreement with the congressional committee.

Science and Space

- July 28—President Reagan authorizes an "11-point Superconductivity Initiative," a federal program designed to bring superconductivity into the commercial marketplace.

Supreme Court

- July 1—President Reagan nominates U.S. Court of Appeals for the District of Columbia Judge Robert H. Bork to fill the vacancy on the Supreme Court created by the recent resignation of Justice Lewis Powell Jr.

ZAIRE

(See also *Zambia*)

- July 4—At least 125 people are reported killed when a truck hits a train at a crossing near the Zambian border; this is believed to be the worst train accident in African history.
- July 26—Western sources say that Kinshasa's international airport is being used to ship American arms to rebels in Angola; Zaire's President Mobutu Sese Seko has denied similar accusations in the past.

ZAMBIA

(See also *Zaire*)

- July 7—The government says that the death toll could climb as high as 390 in the sinking of a barge today in the Luapula river between Zambia and Zaire. ■

SCIENCE AND TECHNOLOGY

(Continued from page 281)

10,000 joint organizations of this sort were in existence.

As China enters the post-Deng era, its strategy for scientific and technological modernization will increasingly reflect the attempt to combine elements of state and market. State-led policies—many of which will be a product of the leading group for science and technology—will be aimed at developing an adequate infrastructure for promoting indigenous development and absorbing foreign technology, while the market will be used to ensure that enterprise and research managers are concerned with innovation opportunities. This strategy, in many respects, is one that is being used by many of the newly industrialized Asian nations. While this strategy may not be able to produce all desired technological advances or create overall technological competitiveness, it certainly influences the process.

At the same time, however, there are strict limits on scientific reform unless political and economic reforms are also introduced. In the political realm, these reforms will have to include a further diminished role for the Communist party in the research sector, as well as an improvement in the status and treatment of scientific intellectuals. Some of this has begun with the recent housecleaning that has taken place at the level of China's municipal and provincial science and technology commissions.

Yet, while such changes have proceeded, the political demonstrations and subsequent events of 1986–1987, involving the removal of Fang Lizhi as vice president of the University of Science and Technology in Hefei and the seemingly forced resignations of Lu Jiaxi and Yan Dongsheng, respectively president and vice president of the Chinese Academy of Sciences, remind us that change will not be easy in China. The issue is not so much that China will require a democratic political system to make progress as the fact that sociopolitical changes and scientific and technological changes cannot be divorced from one another. This is an issue with which China has been grappling for over 150 years. For better or worse, it will be continued as Chinese leaders map out their future modernization strategy.

In the economic realm, further price reform is essential. Until there is substantial price reform, the technology market will not function effectively, and the issue of price will limit the number of persons who will turn to this type of mechanism to sell or acquire technical know-how. Management training is another essential element. As many Western nations have learned, it is management that makes technology work and not vice versa. All too often, Chinese factory managers still consider technological innovation to be more of a bother than a benefit; they are afraid to accept

the risk of employing a new product or component when they feel secure with their existing technology. Chinese managers need to understand the role of technology and how to use technology to their advantage.

Most important, the effort to attain substantial levels of growth and technological advance can only be accomplished after a workable scientific and technological infrastructure has been put into place. Policies for science and technology are part of an entire package, involving all sorts of inputs ranging from finance to marketing. Over the last year, China has taken some bold steps to stimulate forward momentum. The success of this effort will not come from rigid adherence to catchy themes or strategies based on the political fear of falling behind. Rather, the long-term viability of China's present "mixed strategy" will be determined by allowing the strategy to evolve in conjunction with the further changes that are needed in the economic system.

Government policy can have its desired impact only when the economic signals being sent to various actors in the system are, on balance, logical and internally consistent. In this regard, Deng Xiaoping is correct; what is needed is a Chinese type of modernization, sensitive to both the size and the complexity of the Chinese economy and the political system. Out of this search for a Chinese style of modernization may come a model for combining state-led initiatives with market forces more effectively than most developing nations or socialist countries have yet been able to do. ■

SINO-SOVIET RELATIONS

(Continued from page 244)

the Iran-Iraq War and the resistance against the Soviet Union in Afghanistan. What can happen is graphically displayed by the Iranian deployment of Chinese "Silkworm" missiles astride the Persian Gulf, ready to strike American-flagged vessels. Such moves force both superpowers to react. These kinds of Chinese "interventions" in affairs that previously were the exclusive province of the Americans and Russians will rise in number and seriousness to the extent that Chinese power grows and the strategic triangle stabilizes in equilateral form.

The list of certainties and likelihoods in future Sino-Soviet relations indicates that things will change greatly. But other factors will tend to hold back the upswing, so that on balance the trend will not be so revolutionary as the above developments would indicate. In at least three areas, the most important developments are negative. For instance, it is improbable that the Soviet Union will consent to remove all three "obstacles" demanded by China as a condition to improving Sino-Soviet ties. The Kremlin cannot pull its forces out of Siberia and the Soviet Far East, drop its sup-

port of Vietnam and evacuate its fleet from Camn Rahn Bay, and pull out of Afghanistan voluntarily, as the Chinese specify, and still remain an Asian power.

The Soviet Union might be willing to meet the Chinese halfway on the Sino-Soviet border troop disposition issue, as a means of clearing the deck for further melioration, but it cannot simultaneously drop ties to the Vietnam nor summarily restore the status quo ante in Afghanistan. Pulling out of Asia would merely drop Moscow to the rank of a regional power, and Beijing knows full well the impossibility of its "demands." The real reason why the Chinese have advanced such an impossible set of requirements is that Beijing wants to have some cards it can deal away in return for Soviet concessions on the important question, the border troops.

Another improbability concerns the removal of race, personality, historical memory, and other elements from ongoing Sino-Soviet relations. The Russians cannot forget Genghis Kahn; the Chinese cannot forget the Russian treaty violations or Stalin's bad behavior. Every Chinese leader will have a strong personality and will, if history is any guide, rub any strong Russian leader the wrong way. Chinese and Russian political cultures will continue to produce misunderstandings; they are too different and they will not meld under the influences of Leninism and modernization.

A final improbability is the return of severe Sino-Soviet tensions, to say nothing of Sino-Soviet conflict, in the twentieth century. Both countries have too much to lose by such a turn of events; both have "learned their lesson" of the last quarter century; and neither can afford the material and policy costs of a return to the 1960's and 1970's. The near-impossibility of a reversal of the slowly improving direction of Sino-Soviet relations is perhaps the most important development in Sino-Soviet ties since the emergence of the dispute in the late 1950's and is one of the basic facts of contemporary international relations. On that is grounded the stability of the strategic triangle and—along with American and Soviet needs for external peace to address their respective internal crises—it militates strongly for peace during the next decade or more.

With tensions reduced to a minimum, moreover, Moscow and Beijing can address their practical differences on their merits. For the first time since the early 1960's (when it had much less projectable power), China can involve itself in countries and situations far from its borders. That presages the time, fast approaching, when Beijing (like Washington and Moscow) finds interests to go along with its burgeoning power and becomes the world's third superpower.

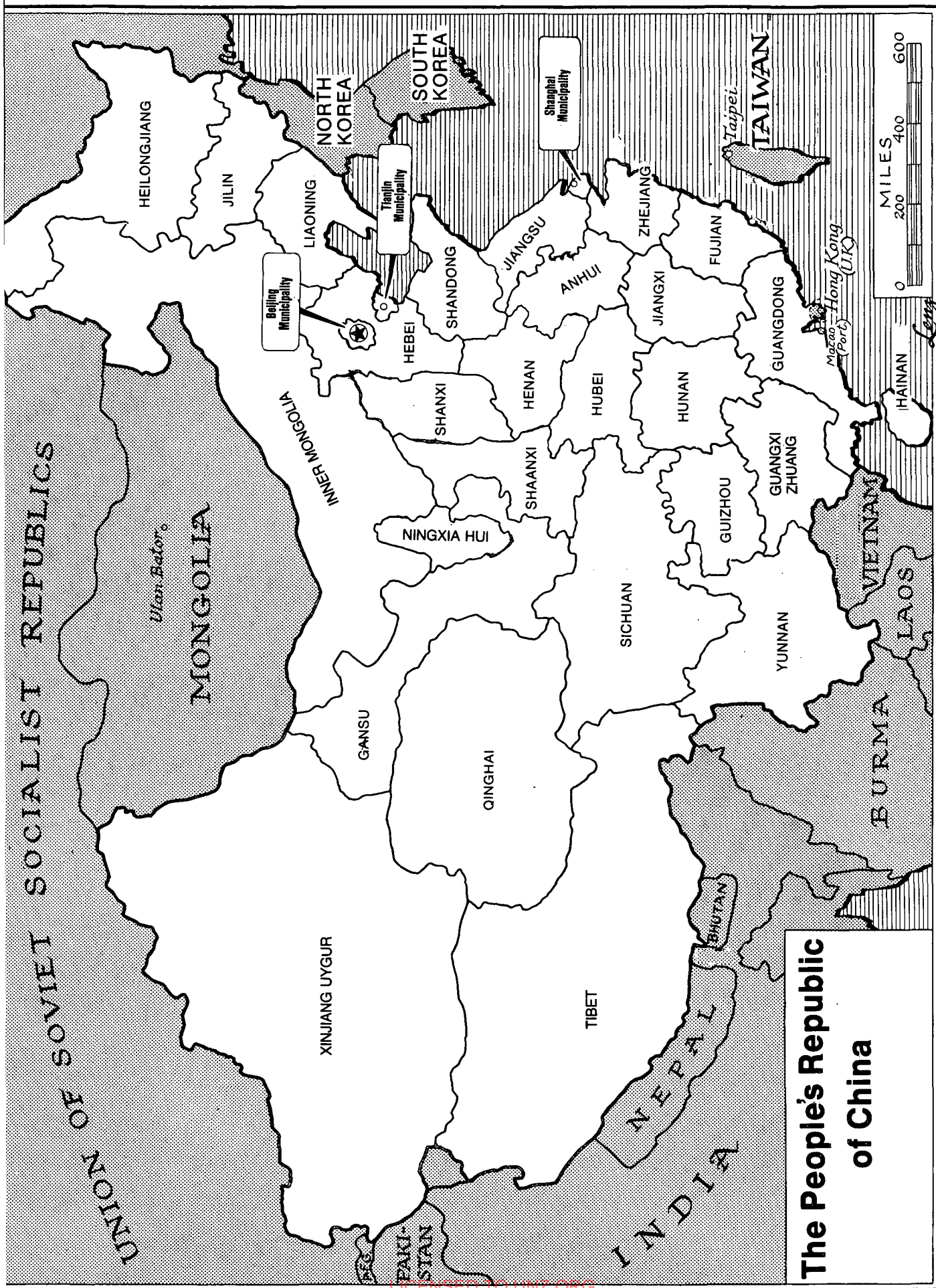
It remains to point out two impossibilities in Sino-Soviet relations. The first is the impossibility of a Sino-Soviet conflict divorced from some American-Soviet conflict. Neither country has any desire to initiate war with each other, nor will either be pulled into a con-

flict stemming from misdirection, accident, incident or the other's involvement in a conflict that does not also see American participation. Once again, that propensity on both sides is a major stabilizing element and militates strongly for peace.

The problem is that an American-Soviet conflict is still possible, that such a conflict would probably grow into a third world war, that China would in the end become involved, and that the present combination of American strategies and Soviet force configurations makes such a conflict not entirely improbable. Once a war began, it would spread quickly to Asia, and if the Russians succeeded in conquering Europe and destroying America (both possibilities), it would then have every incentive to turn on China with all its force, conquer that nation and establish a world empire. That sounds far-fetched, and superpower conflict is still highly improbable. But when the American and Soviet strategies enter into the equation, together with the massive imbalance in conventional forces in favor of the Soviet Union and the geopolitical advantage of the United States, a recipe is produced that greatly increases the probability of conflict. So the danger of Sino-Soviet conflict, so low in the direct sense and so unlikely in Asia (with, perhaps, the significant exception of Korea), rises as one moves to the Middle East, the Persian Gulf; Europe and Central America.

The second impossibility is restoration of a 1950's-style "hard" Sino-Soviet alliance against the United States (or of an American-Soviet or an American-Chinese alliance). Neither Moscow nor Beijing has any interest in such a development. Both Communist states strongly desire flexibility and freedom of decision in their foreign policies. Both must put most of their energies into domestic economic development and need the United States as a supplier of technology and (in China's instance) of capital. A new Sino-Soviet alliance would spell the end of any of these possibilities, and thus will be avoided. It is still true, on the other hand, that Beijing and Moscow could well agree to some spheres of influence agreement—Chinese primacy in Asia and Soviet ascendancy in the Middle East, with Africa and Latin America left as areas in which to compete. But that is unlikely. And if that possibility is all but eliminated, the prospect for stability and development both in the strategic triangle and in global affairs is high. That, indeed, seems likely.

Problems remain. With domestic crises in the United States and the Soviet Union; with the global economic system constantly teetering at the brink of collapse; and with the locus of military threat shifting rapidly to the third world, the twin processes of superpower conflict resolution and third world revolutionary modernization could be interrupted. But for the first time since the Korean War, relations among America, China, and the Soviet Union are not the critical determinants of war and peace on this planet. ■



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